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

DEBT FINANCING AND ITS DETERMINANTS IN MYANMAR CITIZENS BANK: A Case of SMEs

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DECEMBER, 2019

DEBT FINANCING AND ITS DETERMINANTS IN MYANMAR CITIZENS BANK: A Case of SMEs

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

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2017-2019

DECEMBER, 2019

ABSTRACT

The objective of the study is to identify the debt financing practices in Myanmar Citizens Bank and to analyze the determinants of debt financing in Myanmar Citizens Bank. Corporate Banking, commercial banking, retail banking, SMEs financing, invoice financing, pledge loan, hire purchase and home loan which are include in debt financing practices in Myanmar Citizens Bank. The main focused of this research is to investigate the debt financing practices and its determinants in Myanmar Citizens bank. This research used both primary data and secondary data. The primary data is collected by interviewing with business owner, they got Jica two step loan from Myanmar Citizens Bank, head office of Yangon. The sample size includes 50 respondents 54 percent of total 93 SMEs, Survey was conducted by using structured questionnaires and used descriptive analysis. Based on the results from the study, it is found out that firm age, firm size, education, experience and financial transparency are involved in determinants of debt in Myanmar Citizens Bank. Many scholars also pointed out that these are the determinants in debt financing area. But after conducting research and analysis, they concluded with the determinants on debt financing are still needed to be explored. This paper also found out that the determinants in Myanmar Citizens Bank has similar results with their findings and recommend for further study in this area since it can benefits for the whole industry of debt financing area.

ACKNOWLEDGEMENTS

Firstly, I would like to express my sincerely special thanks to the Rector, Prof. Dr. Tin Win, Yangon University of Economics for his kindly permission to participate in this Master of Banking and Finance Programme at Yangon University of Economic.

Secondly, I wish to extend deep thank to Prof. Dr. Daw Soe Thu , Program director of Master of Banking and Finance and Head of department of commerce as well, Yangon University of Economics for her encouragement and support to finish this research in time.

Thirdly, I am deeply thankful to my supervisor Daw Htay Htay, Associate professor, Yangon University of Economics for giving me beneficial opportunity as her candidate and sharing her precious experiences, kind supervision, stimulating suggestion and invaluable advice in writing this research paper. Without her guidline and help I will not accomplish this task. Although she was not in good health, she was very kind and explained thesis paper writing and formatting to us.

Again, I surely cannot leave from this acknowledgment to all the teachers in the board of examiners who guide in composing chapters to be smooth and systematic thesis. They have a lot of knowledge about what difficulties are the on going process of writing thesis and because of their suggestions we easily pass these difficulties.

And then, I would like to thank all respondents (SMEs owners) and all staff in Yangon region at Myanmar Citizens Bank, who participated in collecting data for their kindness to answer the questionnaire.

Lastly, I am very grateful of my friends for their mental encouragement and all teachers for their lectures to us and practical suggestions during the study process. Moreover, I Thank all my classmates for their kindness, understanding and sharing knowledge throughout the courses.

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LIST OF ABBREVIATIONS

ADB	African Development Bank
ARa	Applied and Received approach
ATDF	Access to debt finance
AWU	Annual Work Units
BDRC	Business Development Research Consultants
BIS	Business Innovation Services
BOE	Bank of England
BON	Business Opportunity Networking
BOU	Bank of Uganda
BUDS	Business Uganda Development Scheme
CBE	Central Bank of Egypt
CGI	Credit Guarantee Insurance
CMP	Cutting, Making, Packaging
DFID	Department for International Development
DICA	Directorate of Investment Company Administration
DISI	Directorate of Industrial Supervision and Inspection
ECB	European Central Bank
EEA	European Economic Area
ESRC	Economic and Social Research Council
EU	European Union
FRB	Financial Reporting Board

FSA	Financial Services Authority
GAAP	Generally Accepted Accounting Principles
GCI	Global Corruption Perception Index
GDP	Gross Domestic Products
GEM	Global Enterprise Monitor
GFI	Global Findex Database
IFC	International Finance Corporation
IMF	International Monetary Fund
JICA	Japan International Corporate Agency
MCB	Myanmar Citizens Bank
MEB	Myanmar Economic Bank
MEM	Macro Economy Meter xvi MFIs - Micro Finance Institutions
MIA	Myanmar Industry Association
MICB	Myanmar Investment and Commercial Bank
MOC	Ministry of Commerce
MOI	Ministry of Industry
NBFIs	Non-Bank Financial Intermediaries
NSBS	National Small Business Survey
OECD	Organization for Economic Cooperation and Development
PSF	Private Sector Foundation
Ra	Received approach
SACCOs	Savings and Credit Cooperatives

SMEDB	Small and Medium Development Bank
SMEs	Small and Medium Enterprise
TSL	Two Step Loan
UBOS	Uganda Bureau of Statistics
UEPB	Uganda Export Promotion Board
UIA	Uganda Investment Authority
UMA	Uganda Manufacturers Association
UNCC1	Uganda National Chamber of Commerce and Industry
UNCTAD	United Nations Conference on Trade and Development

CHAPTER 1

INTRODUCTION

Small and medium-sized enterprises (SMEs) make up over 99% of the total number of businesses across the countries where we work. They are responsible for large contributions to value added and employment. SMEs also play an important role in the political economy, helping to promote and strengthen reforms. Across countries at all levels of development, SMEs have an important role to play in achieving the Sustainable Development Goals (SDGs), by promoting inclusive and sustainable economic growth, providing employment and decent work for all, promoting sustainable industrialisation and fostering innovation, and reducing . The SME sector plays an extremely important part in modern economy, proving to be the most attractive and tremendous innovative system. The vital contribution to SME in economic development is a reality unanimously recognised. Showing their economically and socially beneficial effects led to the consideration of the SME sector as a field of strategic interest for the economy (Avasilicai, 2009). Peter Drucker said that small enterprises represent the main catalyst of economic development. Those small businesses contribute intensely to achieving the fundamental goals to any national economy, becoming the backbone of social-economical progress (Druker, 2009).

Sufficient and affordable access to different sources of finance is crucial to allow SMEs and entrepreneurs to reach their full potential. The 8th edition of the Scoreboard on SME and Entrepreneurship Finance report provides data from 46 countries around the world on debt finance, alternative finance instruments and financing conditions, as well as information on policy initiatives to improve their access to finance.In 2017, SME bank credit increased at a modest pace in many countries and declined in some others, in the context of broadly positive macroeconomic conditions, improvements in the business environment and accommodative credit conditions. In contrast, volumes were generally up for most other sources of finance relevant for SMEs and entrepreneurs, such as leasing, factoring, online alternative finance, and venture capital investments. At the same time, a growing share of SMEs relied on self-financing for their investment needs and cash flow requirements in 2017.The thematic chapter of this publication investigates the potential for SMEs to leverage their intangible assets to access external finance, especially debt.

Debt financing includes, therefore, the secured loans which involve the collateral requirements for securing bank financing .When the SMEs default on the loan commitments, banks usually rely on collateral to recover the money invested in a particular business (Falkena et al., 2001).In the case of unsecured loans, the lender provides loans taking into account the borrower’s reputation. For that transaction to take place, a strong relationship between the borrowers and the banks is needed. Loans of this kind are usually short term and the rate of interest is often high (Cole, 2003). Most of the lenders are more unlikely to provide unsecured loans to the small businesses unless there was a lot of business that were made in the past between the borrower and lender, otherwise the lender will still insist that the borrower provide collateral for the loans. The insistence of the lenders on collateral relies on the borrower’s present financial and economic conditions.

In Myanmar Citizens Bank provide the many type of debt financing by Own Funded and ODA (official development assistant) loan. Despite the existence of literature that has used different approaches to measuring access to debt finance, it is currently unknown what effect the different approaches have on the reported SME rates of access to debt finance. In addition, it is not known how the different ways of operationalisation of access to debt finance have influenced the results reported in respect to its determinants. Moreover, there is limited knowledge of the rates of SME access to alternative sources of finance; most studies seemed to have specifically used bank finance loans. Finally, there is lack of knowledge as to whether there is consensus on the determinants of access to debt finance across SMEs and financiers.

1.1 Rationale of the Study

Debt financing is a time-bound activity where the borrower needs to repay the loan along with interest at the end of the agreed period. The payments could be made half yearly, monthly or towards the end of the loan tenure. An important feature in debt financing is the fact that you are not losing ownership in the company. Another important aspect is that the loan is secured or collateralized with the assets of the company taking the loan, and this is usually part of the secured loan. If the loan is unsecured, the line of credit is generally less .Financial institutions such as banks, building societies and credit unions are the primary sources for debt financing, though debt can also be issued by a private company or even by a friend or family member.

A big advantage of debt financing is the ability to pay off high-cost debt, reducing monthly payments by hundreds or even thousands of dollars. Reducing their cost of capital boosts business cash flow. Financing refers to the act of providing funds to be used in business activities, making purchases, or investing. Financial institutions and banks are actively involved with financing as they provide capital to businesses, consumers and investors to help them achieve their goals .Financing may be classified into two types: debt and equity. Debt must be paid back, but they were never lose ownership in the firm, and the amount to pay in interest is tax deductible which will reduce their net obligation. Equity does not need to be paid back, but it relinquishes ownership to the shareholder. While both have their respective advantages and disadvantages, companies mostly prefer to use a combination of both operations in order to attain maximum benefits in the financial position. When they borrow money from an external source and promise to return the principal in addition to an agreed-upon percentage of interest, they take on debt. It is the most common form of financing for new businesses. A disadvantage of debt financing is that businesses are obligated to pay back the principal borrowed along with interest. Businesses suffering from cash flow problems may have a difficult time repaying the money. Penalties are given to companies who fail to pay their debts on time.

The finding of the research advantage and disadvantage of debt financing is as follow; A big advantage of debt financing is the ability to pay off high-cost debt, reducing monthly payments by hundreds or even thousands of dollars. Reducing their cost of capital boosts business cash flow. Another disadvantage is that debt financing affects the credit rating of a business. A company that has a significantly greater amount of debt than equity financing is considered risky. A company with a lower credit rating that issues bonds typically will have to pay a higher interest rate to attract investors.

Therefore Myanmar bankers are should do survey and research for debt financing and its determinants .Myanmar Citizens bank has less much research paper concern with debt financing and its determinants. This paper conduct to fill the requirements of this conditions. The benefit of the studying this topic got more knowledge for researcher and academic, and more understand how to operate debt financing and its determinants .Myanmar Citizens Bank know debt financing and can acquire the factor concerned with weak point and strength of debt financing practices. The results of this study can enhance and improve the practices of debt financing for their customer.

1.2 Objectives of the Study

Two main objectives of the study are

(1) To identify the debt financing practices in Myanmar Citizens Bank and

(2) To analyze the determinants of debt financing in Myanmar Citizens Bank

1.3 Scope and Methods of the Study

Recent banking sector in Myanmar run (4) state own banks and (27) private banks. Among them Myanmar Citizens Bank is one of Private banks under control of Central of Myanmar. This study was based on the debt financing practices of Myanmar Citizens Bank, Head Office in Yangon.

This study was carried out using descriptive research method. This study was focus on (50) respondents, out of total (93) respondents of SMEs who got Jica (tsl) from Myanmar Citizens Bank. In this study, both primary data and secondary data are apply .For primary data was collected by using questionnaires and face to face interviewing with (50) respondents of SMEs business owners and Managers. Simple random sampling method was used to choose respondents. For Secondary data was studied from annual report of MCB, CBM report, previous research papers, reference books, text book, journals and related websites.

1.4 Organization of the Study

This study is organized into five chapters. The chapter one is the introduction, objectives, scope and method of the study and organization of the study .The chapter two is the theoretical background of debt financing and access to debt finance, determinants and measurements of access to debt finance and conceptual frame work of the study. The chapter three is the debt financing practice in Myanmar Citizens Bank which is included SMEs in Myanmar, history of Myanmar Citizens bank, vision mission of debt financing, type of debt financing product in MCB, duration of loan period and requirement of collateral. In chapter four is the analysis in the debt financing and its determinants in Myanmar Citizens bank which involves research design, background information of respondent and analysis in debt financing. In chapter five is conclusion, the finding, suggestion and needs for further research of the study are described.

CHAPTER 2

THEORETICAL BACKGROUND

This chapter includes definitions of debt financing and access to debt finance, concept of access to debt finance, determinants and measurements of access to debt finance, previous study of access to debt finance and conceptual frame work of the study.

2.1 Definitions of Debt Financing and Access to Debt Finance

Debt Financing means when a firm raises money for working capital or capital expenditures by selling bonds, bills, or notes to individual and/or institutional investors. In return for lending the money, the individuals or institutions become creditors and receive a promise to repay principal and interest on the debt. Thus, researchers have used different theories to explain how small firms access external financing. Various theories have been developed based on this information. These theories investigate factors that influence the application of SMEs for external formal financing.

Access to finance is the ability of individuals or enterprises to obtain financial services, including credit, deposit, payment, insurance, and other risk management services . those who is involuntarily have no or only limited access in financial services are referred toast unbanked or underbanked, respectively.

2.2 Concept of Access to Debt Finance

Access to debt finance refers to the absence of price (for example market minimum deposits) and non-price barriers (for example travels to main branches) for enterprise to obtain credit (Arora, 2014). Controversy surrounds the definition and measure of the term as it has many dimensions and services which need to be available when and where desired, and products need to be tailored to specific needs. The literature suggests that the rate of access to debt finance by SMEs depends on the success registered by those that apply for and receive it (Arora, 2014; Butler and Cornaggia, 2009; Werner, 2008).

. In addition, caution needs to be taken while measuring access to debt finance to take into account voluntary and involuntary exclusion. There is a need to separate those enterprises that are excluded involuntarily from those that are rejected due to high risk or poor project quality. Moreover, there is also a need to differentiate between enterprises that are disqualified because of discrimination or high prices, which eventually makes finance products unaffordable (Arora, 2014; Kostov et al., 2012). While rejection due to high risk and poor project quality is not necessarily worrisome, rejection due to discrimination and high prices is, particularly if equilibrium prices are too high, excluding large portions of the population. In addition, even if the underlying cost structures were the same in different countries, a given price would lead to greater exclusion in poorer countries (Cavusgil et al., 2002).

The implication of this definition of access to debt finance is that all SMEs that do not apply for finance are excluded for the purposes of determining the rate of access. In addition, if a particular form of finance, e.g. bank loans or overdrafts, is not available for any reason (e.g., during the recent financial crisis), then under such circumstances it is difficult to determine rates of access to debt finance. In addition, the other implication is that if SMEs are not aware of the availability of a particular form of finance (and therefore presumably do not apply), then again access rates cannot be determined accurately.

Table 2.1: Access to Debt Finance Rates Summarized

Author and year	Country	Formal finance	Rates
Bank of England (2014)	Eurozone	Bank loans, overdrafts, hire purchase, invoice discounting.	45%
BDRC (2014)	England, Wales, Scotland and Ireland	Bank loans, credit cards, credit swaps, invoice discounting	66%
ADB (2014)	Uganda	Bank loans	42%
Triki and Gajigo (2012)	Africa	Bank loans	between 0.1% to 1.1%
Calice et al. (2012)	East Africa and Zambia	Bank loans	42%

Source: Mary Nanyondo,(2017)

From the literature, it is apparent that not only have different studies measured access to debt finance differently, but some have just focused on the supply side (banks), while others just on demand side (the SMEs). This is consistent with the OECD Scoreboard (2012), which recommends that for access to debt finance rates to be wholly understood, both the suppliers of finance and SMEs must be investigated. Given the different approaches adopted by the research, the rate of SME access to debt finance is unclear. Consequently, it could be argued that what we really know about this is limited. Another issue with the existing research is that it is not clear which forms of finance count in measuring access, given that these range from the formal (e.g. bank loans and overdrafts) to the alternative (e.g. crowd-funding and trade credit) (Arora, 2014). This is because most of the studies on SME access to debt finance are limited to bank finance, mainly loans, (Ayyagari et al, 2011; Cavusgil et al., 2002; Cleassens, 2006), while a few are extended to other sources of finance, e.g. trade credit (Olawale and Akinwumi, 2010).

For example, Calice et al. (2012) conducted a study of bank financing to SMEs in East African countries (Kenya, Tanzania, Uganda) and Zambia. The study used questionnaires to collect data from 16 banks, four banks in each country, followed by interviews. The findings revealed that the Ugandan SME sector has the lowest aggregate access to debt finance among the four countries, with a rate below average at 42%. In addition, Triki and Gajigo (2012) conducted a survey to investigate public and private access to debt finance among SMEs using a sample of over 900 commercial banks across 42 African countries. Their findings revealed that access to bank finance among SMEs is on average higher in countries such as Namibia (58.5%), Botswana (57.6%), and South Africa (54.9%).

The studies that have investigated different sources of finance to determine SME finance access rates include a survey by the Bank of England (2014). This study was on ducted in 18 countries in the Eurozone. The findings revealed that SMEs access more bank loans, at 45%, compared to bank overdrafts (23%), leasing or hire purchase (16%), factoring or invoice discounting (10%), mortgages (4%), trade finance (4%) or grant and equity investment (1%). Ayyagari et al. (2011) also conducted a study aimed at establishing the forms of finance applicable to SMEs. In their study, firm level data was used from the period 2006 to 2010, and a sample of 120,000 SMEs across 125developing countries was selected using the stratified random sampling technique.

2.3 Determinants and Measurement of Access to Debt Finance

Many studies have surveyed SMEs to determine the perceived determinants of access to debt finance (e.g. Kostov et al., 2012; Nanyondo et al., 2014; Arora, 2014).A summary of these studies are given that access to debt finance involves the supply side (finance providers) as well as the demand side (e.g. SMEs) it is important to try to reconcile the perceptions of what determines access to debt finance from both sides in order to improve our understanding of the determinants. Honohan and King (2009) suggest that if access to debt finance is to be understood, financiers must be involved, given that they are at the centre of decision making to advance finance to SMEs or not. Knowledge of the determinants of access to debt finance helps reduce access to debt finance barriers.

For example, Beck et al. (2006) argue that collateral is essential in bank financing; awareness of such a requirement will make SMEs work towards improving collateral levels and hence be able to access finance more easily.. In broad terms, they can be outlined as effective lending rates, transaction costs, ownership, firm age, firm size, industry, financial transparency, collateral, education, experience, gender and location(categorical variables) (Katz, 1982; Loderer et al., 2009; Apoga, 2013). Access to debt finance refers to the absence of price (for example market minimum deposits) and non-price barriers (for example travels to main branches) for enterprise to obtain credit (Arora, 2014). Controversy surrounds the definition and measure of the term as it has many dimensions and services which need to be available when and where desired, and products need to be tailored to specific needs. The literature suggests that the rate of access to debt finance by SMEs depends on the success registered by those that apply for and receive it (Arora, 2014; Butler and Cornaggia, 2009; Werner, 2008).

In addition, it is also necessary that a particular form of finance must be available and that SMEs must be aware of the availability of such forms (Kostov et al., 2012). The implication of this definition of access to debt finance is that all SMEs that do not apply for finance are excluded for the purposes of determining the rate of access. In addition, if a particular form of finance, e.g. bank loans or overdrafts, is not available for any reason (e.g., during the recent financial crisis), then under such circumstances it is difficult to determine rates of access to debt finance. In addition, the other implication is that if SMEs are not aware of the availability of a particular form of finance (and therefore presumably do not apply), then again access rates cannot be determined accurately.

Various studies have measured access to debt finance in many different ways. For example, BIS (2012) measured access to debt finance as a fraction of the level of bank deposits by SMEs and the rate of rejection for both overdrafts and the term loans, while Kostov et al. (2012) operationalised access by the level of knowledge among SMEs of the available sources of finance. Arora (2014) measured access to debt finance from the supply side (financial institutions), using ‘outreach’ (a proxy for geographically and demographically physical access), ‘ease’ (how easy it is to undertake financial transactions), and ‘procedures’ (administrative difficulties and cost of finance). On the other hand, others have operationalised it as the proportion of SMEs that have appliedand received finance (e.g., World Bank, 2014; ECB, 2012; IFC, 2010).

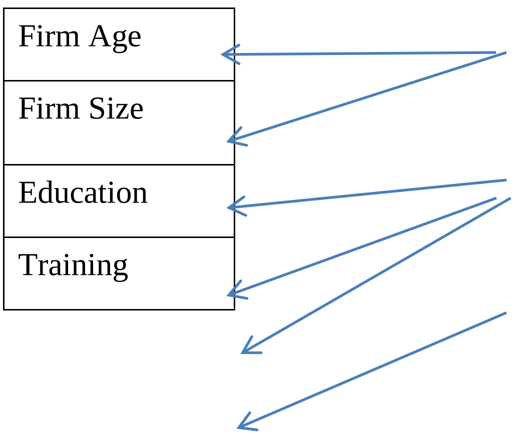
Further, access to debt finance has been measured in terms of loan size and frequency of acquisition (Beck et al., 2006; Ayyagari et al., 2008; Nanyondo et al., 2014).On the other hand, others have operationalised it as the proportion of SMEs that have applied and received finance (e.g., World Bank, 2014; ECB, 2012; IFC, 2010). Further, access to debt finance has been measured in terms of loan size and frequency of acquisition (Beck et al., 2006; Ayyagari et al., 2008; Nanyondo et al., 2014). However, these proxies have been criticised because that they do not take into account the fact that some SMEs do not apply for finance.

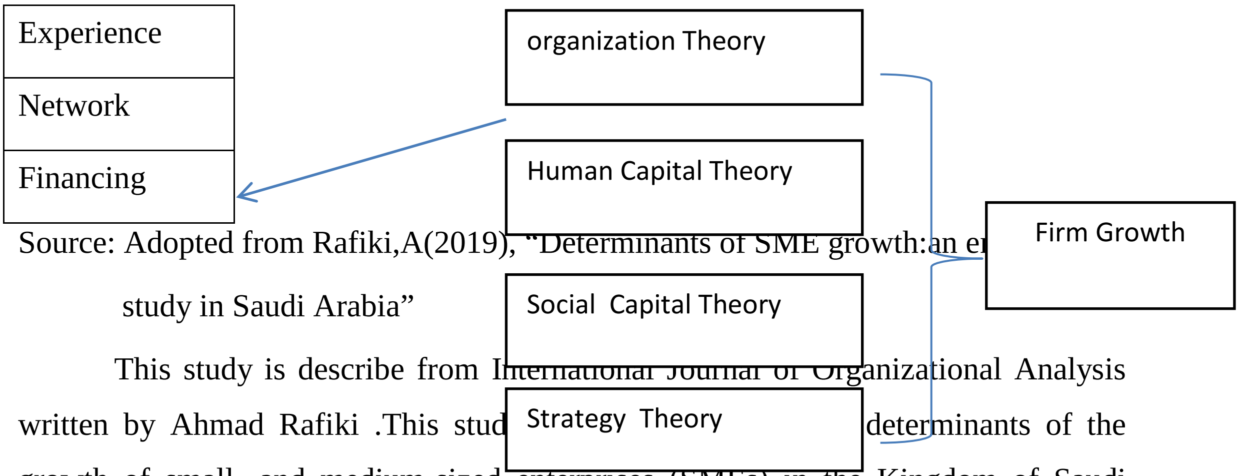
2.4 Previous study of Debt Financing and its Determinants

The conceptual frame of Rafiki, A. (2019), "Determinants of SME growth: an empirical study in Saudi Arabia" is shown in figure (2.1). In this study the descriptive and was used to analyze the data. A stratified sampling technique is adopted with a sample size of 53 business owner from SMEs. There are variables delineated from theories (human capital, social capital, strategy and organization), which are associated with the firm's growth that include; the firm age, size of the firm, manager's education, training, experience, network relationship and financing. The results found that the size of the firm, the experience of the manager, training, financing and the network relationship have a significant relationship with the firm's growth. However, other variables such as the education and firm's age do not have a significant relationship with the firm's growth. The previous study of debt financing and its determinants are present to be the framework to understand systematically. Several study have point out the debt financing practice in SMEs.In Nigeria, collateral was found by Ololade and Olagunju (2013) to be a significant predictor of access to debt finance among the rural farmers in Oyo state. In this study, data was obtained using structured questionnaires, which were administered to 210 respondents by means of a multistage sampling procedure.

Figure(2.1) Conceptual Framework of the Previous Study

(Determinants of SME growth)





Source: Adopted from Rafiki,A(2019), "Determinants of SME growth:an e[illegible]

study in Saudi Arabia"

This study is describe from International Journal of Organizational Analysis written by Ahmad Rafiki .This stud[illegible] determinants of the growth of small- and medium-sized enterprises (SMEs) in the Kingdom of Saudi Arabia. The resource-based view theory is adopted in the analysis of the study. The descriptive and multivariate regression analysis was used to analyze the data. A stratified sampling technique is adopted with a sample size of 119 managers from SMEs. There are variables delineated from theories (human capital, social capital, strategy and organization), which are associated with the firm's growth that include; the size of the firm, firm age, manager's education, training, experience, financing and network relationship. The results found that the size of the firm, the experience of the manager, training, financing and the network relationship have a significant relationship with the firm's growth. However, other variables such as the education and firm's age do not have a significant relationship with the firm's growth.This study could be considered as an exposure to the SMEs in Saudi Arabia on the specific factors by the owner–managers who intend to develop their business.

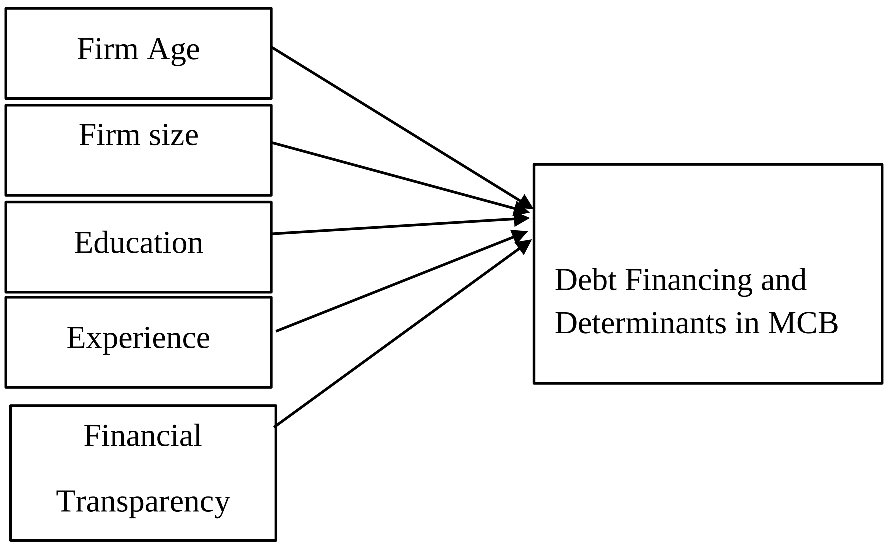
To cite this document: Adebayo, T. S., Alheety, S. N. Y., & Yusoff, W. S.W. (2019). Factors Affecting SMEs' Internationalization Process in The Southwest Nigeria. International Journal of Entrepreneurship and Management Practices, 2(5), 44-62.Abstract: This paper examined factors affecting SMEs' internationalization process in Southwest Nigeria. Its conceptual framework specifically aimed at analyzing the influence of SME owners'/managers' characteristics and their firms' attributes on the companies' capacity to export the non-oil products. The quantitative data collected through a cross-sectional, multi-stage and purposive sample survey of 279 SME firms in Lagos state were analyzed with binary logistic regression and descriptive statistical methods. The study revealed that SMEs' capacity to export in the Southwest Nigeria is more likely to be influenced by factors including: SME owners'/managers' age group, level of education and previous exporting experience, along with firms' attributes including business registration status, source of raw materials, access to bank loans, government incentive supports and collaboration with foreign partners. Consequently, the two null hypotheses tested in the study were rejected. The study thus, recommends for increased entrepreneurial awareness and improved capacity building for the SMEs in Southwest Nigeria to enhance their foreign exchange generation capability.

2.4 Conceptual Framework of the Study

The conceptual framework of the study was based on figure 2.1

Figure (2.2) Conceptual Framework of the Study

Independent Variables Dependent Variable



Source: Own complication

Due to figure 2.2,in this study, five of independent variables are s(1) firm age, (2)firm size, (3)education, (4)experience and(5) financial transparency and the dependent variable is Debt Financing and its Determinants in MCB. These variables are explained as below:

(1) Firm Age

Economically, firm age is measured by the number of years the enterprise has existed (Loderer et al., 2009). The relevance of age to firm dynamics has attracted comparatively little attention in access to debt finance studies, with the exception of management literature. Therefore, there is little theoretical work one can rely on to guide .This study on the relationship between firm age and access to debt finance. The prior belief would seem to be that firm age benefits access to debt finance; enterprises learn about their abilities and how to do business activities better as they become older (Loderer et al., 2009). Firm age can also be advantageous because it helps firms focus on their core competences and improve their reliability and accountability.

According to the theory of the firm by Jensen (2000), the older the firm is, the more it builds on enterprise capacity to improve its access to debt finance. However, at the same time firm age benefits can probably decline over time, which may cause a decline in the factors that increase enterprises' competitive advantage. The relationship between firm age and access to debt finance, however, could also be spurious, in that firm age could be a proxy for other drivers of access to debt finance. For example, Evans (1987) found that access to debt finance decreases with firm age and that it does so at a diminishing rate.

(2) Firm Size

Firm size is measured by the average number of full time employees of an enterprise at a given point in time. It was categorized as a demographic factor by Pandula (2011), Johnson and Niño-Zarazúa (2009) and Kwenda (2014). The traditional neoclassical view of the firm and the economies of scale concept contend that firm size has an association with access to debt finance among enterprises (Jónsson, 2007).

The focus on firm theories is wider than explaining the reasons for differences access to debt finance; therefore, Jónsson provides a narrower theoretical background, which state that firm size matters. First, the principal-agent theory, which suggests that separation of corporate ownership and control potentially, leads to self-interested actions by managers, who might expand the firm to increase their own benefits, such as more prestige, better pay, and stock options. Second, strategic theories which identify Porter's idea of three generic strategies that firms can use (to attain overall cost leadership, product differentiation and focus-based domination) to represent a useful starting point when considering strategic options such as growth and expansion.

The results of chi square statistics indicated that firm size was not associated with access to debt finance, which was contrary to the theoretical literature at the time. Pandula found this to be unexpected, so made recommendations for new investigations into the determinants of access to debt finance to be conducted; for example, the loan evaluation process to tailor new training programmes for entrepreneurs and develop relationships with business associations to improve access to debt finance.

(3) Education

The education and experience of the entrepreneur in terms of knowledge, skills, behaviours and attitudes contribute to increased or decreased access to debt finance (Reginald and Millicent, 2014). Past research has found a positive relationship between higher educational qualifications and business access to debt finance (Dunkelberg and Cooper, 1982; Johnson, 1993; Kozan, Oksoy and Ozsoy, 2006). The level of education has an influence on the motivation of an entrepreneur in terms of finding alternative finance sources; building finance networks; and planning for long term finance solutions for the enterprise (Smallbone and Wyer, 2000).

Furthermore, education helps to enhance the enthusiasm, exploratory skills, communication abilities and foresight of entrepreneurs and ensure the enterprise exists as a going concern (Dobbs and Hamilton, 2007). It also enhances the skills that collectively have a positive effect when presenting a reasonable case for credit applications, preparation of business plans, collateral appraisals and building good finance networks. Their findings indicate that entrepreneurs or managers who are graduates experienced minimum difficulties when accessing formal finance from banks.

(4) Experience

In the study of access to debt finance and its determinants in Ugana, Marry Nanyondo(2017) suggests that entrepreneurial experience has a positive association with access to debt finance. An empirical study was conducted in South Africa by Reginald and Millicent (2014), with the objective of determining whether entrepreneurial experience was essential for success in access to debt finance among foreign-owned SMEs. Data was obtained based on a sample size of 50 foreign-owned SMEs, using closed and open-ended questionnaires and personal interviews, targeting managers and owners of non-indigenous SMEs operating in three towns (Alice, Fort Beaufort, and King Williams Town) in Eastern Cape Province of South Africa.

The convenience random sampling technique was used, in which the sample elements were chosen based on the judgement of the researchers. Using ordinary least squares (OLS), the results indicated that entrepreneurial experience was a significant factor in explaining success in access to debt finance among foreign-owned SMEs. Descriptive statistics relating to entrepreneurial experience indicated a mean of 5.90 on a Likert scale of 7, which implied that respondents generally viewed the entrepreneurial experience factor to be important in accessing finance.

Using multiple regression analysis, Musamali and Kipkirong found that entrepreneurial experience indeed influenced access to debt finance among SMEs in the town. Nonetheless, this research suffered from a non-response bias of 70%, which affected the reliability and validity of the study findings.

(5) Financial Transparency

Transparency is about seeking to be fully open; financial transparency requires enterprises to disclose financial information to users that reflects a true and fair view of the firm’s performance (Epstein, 2007). According to Claressens (2005), transparency denotes “self-disclosure,” or the opposite of secrecy. Demirguc-Kunt and Levine (2008) explain transparency as a mechanism that facilitates the release of information that pertains to policies, capabilities, finance, and preferences to interested parties, in this case banks. Transparency also implies the provision of clear, unambiguous information as well as accountability to interested parties (Barrow, 2012). Financial transparency was found to be associated with access to debt finance in a study conducted in Uganda by Nanyondo et al. (2014).

In this study, structured questionnaires were administered to 75 SMEs registered and operating in Kampala. The results, using ordinary least squares (OLS) multiple regression, indicated that there was a significant positive relationship between the quality of financial statements and access to debt finance, at a level of 1%. Among the variables used to predict access to debt finance in this study, for example perceived risk and information asymmetry, financial transparency was found to be the highest predictor of access to debt finance. However, Nanyondo et al. recommended that future research be directed to finding other factors that determine access to debt finance by SMEs, including unregistered ones and SMEs operating in regions of Uganda apart from the central one. This was because the current model only explained 63.7% of the variation in access to debt finance.

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CHAPTER 3

BACKGROUND INFORMATION OF DEBT FINANCING IN MYANMAR CITIZENS BANK

The chapter includes SME in Myanmar, history of Myanmar Citizens bank, the vision, mission of debt financing, types of debt financing product in MCB, duration of loan period and requirements of collateral.

3.1 SME in Myanmar

In 2015, Myanmar adopted the Small and Medium Enterprises Development Law. It is debatable whether or not a law for SMEs is necessary. More important is for government and Parliament to ensure that all relevant laws and policies recognize the needs of SMEs before they are adopted. However, a Law is now in place, and in addition to the usual creation of Committees and other bodies, it seeks to define what a small or medium-sized enterprise is .Most official international definitions of SMEs are based on permanent employee numbers. According to the OECD a micro-enterprise has 1-9 employees, a small one 10-49, and a medium-sized one 50-249. This limit of ‘less than 250 employees’ is used by the EU, although some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees. Despite national variations, there is a common recognition that number of employees is the simplest indicator of whether a business is an SME.

3.2 History of Myanmar Citizens Bank

Myanmar Citizens Bank (MCB)is a public bank established in 1991,with company registration No. (274/1991-92) granted on 30.10.1991, under special company act. With the Banking License no. Ma Ba Ba/ J (i) -1(5)1992 control by Central Bank of Myanmar on 25thof May 1992, MCB started banking business on 2.6.1992 at No. 383, Maharbandoola Road, Kyauktada Township, Yangon. The bank have got the license with the registration number, MaBaBa/PaBa(R) ,dated 01-08-2016, by Central Bank of Myanmar. According to the law of Financial Institutions, number(176). Altough authorized Capital of MCB at the time of establishment, in June 1992 was 1 Billion Kyats. Among the permission of Authorized capital is 75 Billion Kyats ,52 Billion kyats was paid up . Ministry of Commerce has been paid up 9.84Billion Kyats and the public share paid up 42.16Billion kyats. YSX(Yangon Stock Exchange) listed Myanmar Citizens Bank (MCB) inked an agreement with the International Finance Corporation (IFC) to increase access to finance for small businesses and individuals. The IFC is provide advice to the public lender to transform and modernise its business operations to better serve small businesses. The project is delivered over two years and will focus on optimising products and channels, improving branch and sales networks, credit and risk management strategies as well as streamlining organisational management “Successfully implementing this transformation project will significantly strengthen our SME and retail banking segments and will help thousands of businesses in Myanmar achieve access to better banking,” said MCB chairman. The Findex study in 2017 estimated that around about 26 percent of adults in Myanmar have an account at a financial institution. Emerging from the long-term banking system, smaller domestic banks in Myanmar operate in a challenging new environment. The nation’s banking sector is one of the least developed in the region,” commented by IFC Myanmar manager Vikram Kumar.

“Complementing the government’s banking restructure over the past few years, IFC and MCB are construction to a more stable and robust banking environment, which is increase investor reliable in Myanmar." MCB was listed on the Yangon Stock Exchange in August 2016.The IFC says the project is in line with the government's Sustainable Development Plan to 2030 and with IFC's goals to end extreme poverty and boost shared prosperity. The institution has invested in two other projects to boost Myanmar's banking sector ." Providing access to banking services which were previously unavailable is one of the first steps to alleviating poverty," it said.

MCB was granted the Foreign Exchange Authorized Dealer License by the CBM on 17-8-2012 and became a member of the Society for Worldwide Inter Bank Financial Telecommunication (SWIFT) on 5 January 2013. MCB has established correspondent bank relationships and maintained NOSTRO Accounts with UOB, OCBC, DBS, Commerz Bank, ICBC, May Bank, Kasikorn Bank, Siam Commercial Bank and Krung Thai Bank and have RMA relationship with 47 banks. By connecting with correspondent banks, MCB is currently providing Foreign Currency Current account opening Export/Import Settlements, Cash disbursement, Bank Guarantee, Account transfers and foreign Exchange Market activities to our customers. MCB was granted the money changer license on 24 October 2011 and it has opened money changer counters at Kyauktada Branch, Muse Branch, Mandalay Branch and Dawpon Mini Branch.

MCB has offered the studying services for Visa, Master Card since 2014 and issued "Citizens card", branded of Master Card. MCB has partnered with money transfer agencies such as Money Gram, IME, Transfast, Merchantrade and Dollar Smart Global to offer fast and effective in bound remittance for Myanmar citizens working in different foreign countries .MCB started its Mobile Payment Services (663), to offer service to unbanked and rural areas, in July, 2015.Myanmar Citizens Bank Ltd (MCB)made a new contract with MoneyGram with the term of 3 years upon the termination of previous contract with 5-year team and not only Inbound Remittance, but also Outbound Remittance shall be operated during this 3-year term. MCB listed on Yangon Stock Exchange on 26August 2016,tradesshares.

MCB and Temenos, one of the world leading vendors signed up the MOU to implement the core Banking system (CBS) on January 2018.MCB signed MOU for Tha Bar War Project, which aims to support sustainable industrial and manufacturing programmes, at UMFCCI on 27thNovember, 2018. Signing ceremony for Fortress

Data Service (FDS) was held at MCB's Head Office on 21stNovember, 2018 with the aim of developing Digital Banking Services at international standard .MCB and Samsung Myanmar signed up the MOU for mobile phone financing project on 6thMarch 2018.

3.3 Vision, Mission of Debt Financing

Vision to Debt Financing is to build a strong, stable, sustainable bank which is value creative to all our stake holders by harnessing and contributing to the spirit of progress in Myanmar.

Mission to Debt Financing is create value for our investors through sound financial performance embedded in transparency, accountability and good governance.

Support and develop a customer base in the Commercial, SME, HP and Consumer segment Enhance financial inclusiveness through a network delivering accessibility and availability Recruit and develop talent to create sustainable long term workforce of dedicated employees Build a secure, robust IT infrastructure and roadmap to support the bank in managing its business effectively and efficiently Build efficient and innovative technology to deliver to customers convenient and secure products and services Build, develop and incorporate operational and risk practices and methodologies into the banks operations.

Corporate banking is strong focus on building lending balances through personalized relationship banking. Commercial banking is stabilize and retain HP as the market leader and diversity in commercial products. Retail banking is focus on building deposit base to support corporate and commercial and building future products. Distribition is expand network and improvise processes and branch focus on service and sales.Digital network is future distribution channel and any time-anywher banking through mobile and internet banking.

3.4 Type of Debt Financing Products in MCB

In Myanmar Citizens Bank, there are several types of debt financing products which are as follows:

(1)Commercial Loan (immovable property taken as collateral

(2)Overdraft Loan

(3) Pledge Loan

(4) Trade Guarantee

(5) Bank Guarantee / Performance Guarantee and Hire Purchase Services.

3.5 Duration of Loan Period:

Banks are generally prohibited from extending loans exceeding one year. Many SME owners wanted to take on bank loans to replace machinery but worry about the refinance risk under the one-year and higher rate for refinancing to repay bank loan. Borrowing form informal lenders is very simple in that borrowers are required to provide gold as collateral and no detailed disclosure or documentation is required. While the interest rate is high, the financial burdens from informal borrowings are acceptable if the finding need is only for two or three months. They are, however, unusable for long term investments. Extensive document and disclosure requirements are the primary reasons for many SME owners.

The standard documents required for bank loan applications are as follows.

1. Submission of loan application and the following documents
2. Multiple letters of undertakings or promissory notes
3. Resident registrations, family member lists and related documents
4. Tax payment certificates for the last 3 years (income tax, trading tax)
5. DICA and DISI registrations
6. Information about the collateral, such as certificate of ownership
7. Financial statements for the last 3 years (1 year for SME Loan Program)
8. Pictures of factories and collateral properties

3.6 Collateral Requirement:

SMEs also complain about the requirement of immovable collateral and very conservative loan-to-value ratio against collateral. Some banks use loan-to-collateral value ratio as a method for evaluating creditworthiness of each borrower, and raise it from 30% for the first borrowing to 40% for the second, 50% for the third. Under the practically regulated rate without competition, the banks in Myanmar do not want to change interest rates according to the borrower's creditworthiness; so the loan-to-collateral value ratio is the only way for the banks to reflect their risk assessments in their lending practice.

Culture and collateral requirements: In Vietnam, collateral was found to have a significant association with access to credit (Le, 2012). Using World Bank Enterprise Survey data of 2009, Le investigated the 36 factors that determined SME access to credit in Vietnam. This database included not only SMEs but also large enterprises. The scope of the data was very wide, but to measure the determinants of SME credit availability the data was rather limited. The descriptive statistics indicated that 90% of banks in Vietnam depend very much on land as collateral to extend finance to SMEs. This demand is a limiting factor for the majority of SMEs to access finance because they have barely sufficient or acceptable land to pledge. The findings also indicate that SMEs with collateral borrow up to 41.3% of the proportion of bank debt finance. It is, however, unclear why they do not borrow up to 100%, which may imply that collateral alone may not fully explain access to debt finance. From the findings, Le (2012) suggests that further research should be focused on other determinants of access to debt finance in order to have a deeper understanding of other factors that facilitate SME access to bank loans, other than collateral.

Evidence from developing countries, Culture and collateral requirements Panagiota Papadimitria et al(2019), in this study the relationship between culture and the use of collateral in corporate borrow-ing. Using a dataset of over 14,000 firms from 70 transition and developing countries, they find evidence that the likelihood to pledge collateral is lower in countries with higher un-certainty avoidance and corporate ethical behavior. In contrast, long-term orientation and individualism enhance the likelihood to use collateral. These results hold when using sub-samples and further controls for various firm and country-specific attributes. Additional analysis reveals that culture influences not only the likelihood to pledge collateral but also its type (movable versus non-movable) and its value relative to the value of the loan.

Generally, in Myanmar Citizens Bank , following documents are requirement for bank loan (1) lease hold land (2) form 7(3) Registered sell deed (4) contract or invoice of machine (4) income tax(5) Audited financial statement (6)project plan (7) cash flow(8)household list(9) Resident registrations.

CHAPTER 4

ANALYZE THE DETERMINANTS OF DEBT FINANCING IN MYANMAR CITIZENS BANK

(A case of SMEs)

` This chapter describes the characteristics of End Borrowers of SME debt financing from Myanmar Citizens Bank. Questionnaires are divided into two parts, section one include the background data information and Section Two is the determinants of access to debt finance for SMEs.

4.1 Research Design

This case study is set up to analyze the debt financing in Myanmar Citizens Bank (A case of SMEs). The data for this study were gathered through the use of primary and secondary data . The primary data sources for this study were carried out with a structured questionnaire and received 50 SMEs, they got Jica two step loan of debt financing of Myanmar Citizens Bank in Yangon . The questionnaire was divided into two sections. Part A of the questionnaires concerned with background informations of SMEs. Part B consists of analysis on determinants of SMEs debt financing in Myanmar Citizens Bank.

The type of question in the questionnaire are opened question, and 5 point Likert scale questions which are aim to identify the debt financing practice and to analysis the determinants of debt financing in SMEs. Those respondent 50 SMEs come from different sectors (for example-Manufacturing, Trading, and Services). The Secondary data was obtain from reviewing Journals, seminar, workshop and in my work place. The total target population was approximately 93 SMEs which in Yangon and sample was taken as 50 SMEs (54% of total SMEs provided ordinary debt financing in Myanmar Citizens Bank) and distributed the questionnaires among them. Data collection period was from November to December in 2019.

4.2 Back Ground Information of Respondents

In this section, the questionnaires were structured for conducting the background information of respondents. It includes (1) Type of business (2) Business Sector (3) Location (4) Location effect (5) Length of Business.

(1) Type of business

Types of business are divided into five groups which are Sole Proprietary Ownership, State Owned, Joint Venture, and Shareholding with predominantly domestic and others.

Table (4.1) Number of Respondents by Type of Enterprise

Type	No. of Respondents	Percentage
Sole Proprietary Ownership	31	62.0
State Owned	5	10.0
Joint Venture	1	2.0
Shareholding with Predominantly domestic	3	6.0
Other	10	20.0
Total	50	100.0

Source: Survey Data, 2019

As shown in table (4.1), Sole Proprietary Ownership is 62% which is the highest in the groups. It can be because many people more prefer to start up their own business and need financial for it. But only 2% is in Joint Venture has found out. This shows that there are only a small percent is doing in Joint Venture. For the stated Own, the percentage is 10%. This is because most of the stated owned have least desire to get finance from others. Shareholding with predominantly domestic is indicated as 6%.

(2) Core Business Sector of Respondents

In this section, business sector was divided into three. It consists of manufacture- in, services and others. It was shown in table (4.2).

Table (4.2) Core Business Sector of Respondents

Core Business Sector	No. of Respondents	Percentage
Manufacturing	11	22.0
Services	35	70.0
Other	4	8.0
Total	50	100.0

Source: Survey Data, 2019

Among all these factors, Services has the highest percent in the groups, which is 70%. Now country is reinforcing in tourism development and as a consequence the service has developed widely. Hence it could be the reason why service sector receive the highest percent and in the groups.

(3) **Business location of Respondents**

Location is the critical point to consider in accessing finance since banks are mostly located in the cities. It is shown in the table (4.3).

Table (4.3) Business location

Core Business Sector	No. of Respondents	Percentage
Rural	4	8.0
Urban	46	92.0
Total	50	100.0

Source: Survey data, 2019

According to table (4.3), Myanmar citizens Bank, most of SMEs owners were lived in Urban, which is 92% of 50 respondents. Only 8% is lived in rural. The results indicate that the locations are very much important in accessing the finance from banks. Mostly who get finance live in urban where banks and opportunities are reachable?

(4) Location affects Accessing Debt Finance

As discussed in the table (4.3), location are important to access finance from bank and these following structured question are conducted to how many of respondents finds out the importance of location. The results are shown in table (4.4).

Table (4.4) Location affects Accessing Debt Finance

Category	No. of Respondents	Percentage
Yes	34	68.0
No	16	32.0
Total	50	100.0

Source: Survey data, 2019

68% of the surveyed respondents noticed the importance of location and they confessed that they are affected by location in accessing finance. It is also interesting that 32% of respondents answered that they don't get any effect in accessing finance by location.

(5) Business Length of Respondents

In giving a finance access, the length of business can give a good impact. Hence the questionnaires were structured to conduct it, which can be found in table (4.5).

Table (4.5) Length of Business

Year	No. of Respondents	Percentage
Under 5 years	22	44.0
5 to 10 years	21	42.0
Over 10 years	7	14.0
Total	50	100.0

Source: Survey data, 2019

4.3 Analysis on debt financing and its determinants of MCB Bank

After conducting the background of respondents, the survey analyzes the deter- moments of debt financing in Myanmar Citizens Bank with five main groups. They are

(1) Firm Age (2) Firm Size (3) Financial Transparency (4) Education and (5) Experience.

(1) Firm Age

In analyzing the firm age, the four questionnaire were conducted which is indicted in table(4.6)

Table (4.6) Firm Age

No	Statement	Mean	Std. Dev
1	Enterprise age matters in access to debt finance	3.24	.687
2	The longer it has stayed in operation the easier it is to get finance	3.18	.691
3	Financiers prefers SMEs that have at least been in	3.28	.858

	operation for more than 1 Year		
4	Finance is issued to those SMEs that have stayed for over 5 years	2.90	.886
Overall Mean		**3.15**	

Source: Survey, 2019

According to table4.6, on the question of "Financiers prefers SMEs that have at least been in operation for more than 1 Year", 3.28 mean with 0.858 standard deviation is resulted. It is also the highest one. Secondly, enterprise age is considered to be important since it is 3.24 mean with 0.687. The point on "the longer it has stayed in operation the easier it is to get finance" is the third they agree on. Its mean is 3.18 and 0.691 deviation. The lowest mean is 2.90 which is on "financed is issued to those SMES that have stayed for over 5 years." The standard deviation is o.886 too. If SMEs is above one year old, it has the high opportunity in accessing debt finance in Myanmar Citizens Bank. Overall mean of Firm age is 3.15 which refers that it is also one of the determinants in debt financing in MCB.

(2) Firm Size

Firm size is analyzed by three questions. They are conducted based on size of the business, large number of employee and no consideration on size of the business. It is included in table (4.7).

Table (4.7) Firm Size

No	Statement	Mean	Std. Dev
1	The size of the business matters in access to debt finance	3.26	.944
2	Large number of employees is an indicator that the business is reputable therefore can access finance	3.42	1.012
3	Size does not matter at all as long as other requirements are met	3.14	.783
Overall Mean		**3.27**	

Source: Survey data, 2019

According to table (4.7), the fact of large number of employee is considered highly in debt financing than the size of the business. Therefore it gets the highest mean in this group, which is 3.42 mean with standard deviation 1.012. The lowest is 3.14 mean which is for who thought that size is not matter in determining in the access of the debt financing.

(3) Financial Transparency

In the table (4.8), final transparencies are determinants or not, are discussed.

Table (4.8) Financial Transparency

No	Statement	Mean	Std. Dev
1	Transparency and disclosure is important in access to debt finance.	3.58	.883
2	Use accounting standard required access to debt finance will be easier.	3.26	.777
3	Audited financial records ease access to debt finance	3.16	1.017
4	Transparent and disclosure does not matter as long as other requirements are met	3.18	.941
	Overall mean	**3.30**	

Source: Survey data, 2019

In this section, the highest mean is 3.58 on transparency and the second is 3.26 mean on accounting standard. Audited financial records is 3.16 mean and transparent and disclosure does not matter is 3.18, which is quite considerable fact if it is compared to the acceptance of transparency which has the highest mean. Among the deviation, audited financial record has the highest deviation. If it is added to the mean, the result can reach to 4. 177. Thus, it can be estimated that this factor can become important in determinants. Overall mean of financial transparency is 3.30 which can be counted as one of the determinants in debt financing.

(4) Education

In the table (4.9), the answers of the respondents for the opinions on education are described.

Table (4.9) Education

No	Statement	Mean	Std. Dev
1	The skill of an entrepreneur in dealing with credit determines access to debt finance	3.22	.708
2	Whether skilled or not as long as other requirements are met issue of finance is possible	2.94	1.096
3	Skill of the entrepreneur has nothing to do with access to debt finance	2.48	.886
4	Education level of an entrepreneur matters in issue of finance	3.04	.903
5	Educated entrepreneurs are access finance easily because they are aware of the requirements	3.42	1.012

6	Whether educated or not it does not matter all entrepreneurs can access finance	2.56	.929
	Overall Mean	**2.94**	

Source: Survey data, 2019

Due to the table (4.9), educated entrepreneur has got the highest mean 3.42. And the skillful entrepreneur with credit access has 3.22 mean. Skill of the entrepreneur has nothing to do with access to debt finance has got 3.04 mean. Whether skilled or not as long as other requirements are met issue of finance is possible is 2.94 mean and whether educated or not it does not matter all entrepreneurs can access is 2.56 mean. Overall mean of education is 2.94 which can be assumed that this factor still does not play important in considering debt financing in MCB.

(5) Experience

In determining the debt financing, experience of the entrepreneur is counted and this survey will find out how determinant it is. The results are summarized in the following table (4.10)

Table (4.10) Experience

No	Statement	Mean	Std. Dev
1	Experience of an entrepreneur in dealing with credit increases chances of acquiring finance	3.30	1.015
2	Experience of over a year is recommended for an entrepreneur seeking finance	3.16	.710
3	5 years or more are even better to issue such an entrepreneur finance	3.24	1.001
4	Experience has nothing to do with issue of finance, as long as other requirements are met	2.54	.973
	Overall Mean	**3.06**	

Source: Survey, 2019

In table (4.10) show that experience of an entrepreneur in dealing with credit increases chances of acquiring finance takes the first position with 3.30 mean. 5 years or more are even better to issue such an entrepreneur finance takes after second position with 3.24 mean. Experience of over a year is recommended for an entrepreneur seeking finance is in fourth with 3.16 mean. Experience has nothing to do with issue of finance, as long as other requirements are met place last with 2.54 mean. Only 2.54 mean thought that experience does not matter in issue of finance. The rest thought that experiences are important in issuing finance. Overall mean of experience is 3.06.

(4.4) Overall analysis on the determinants of Debt Financing in MCB

In the table (4.10), overall mean value of determinants in debt financing is summarized.

Table (4.10) Overall mean on determinants

No	Determinants	Mean Value
1	Firm Age	3.15
2	Firm Size	3.27
3	Financial Transparency	3.3
4	Education	2.94
5	Experience	3.06

Source: Survey Data, 2019

According to the table, final transparency outstands with 3.3 mean and firm size, firm age, experience can be found in the second, third and fourth place with 3.27 mean, 3.15 and 3.06 mean. Education gets the lowest mean in determinants. Except education, the rest three get above 3 and it can be assumed that these factors are determinants in debt financing in MCB.

CHAPTER 5

CONCLUSION

This chapter includes findings and discussions, suggestions and needs for future research. First part consists of the findings based on the survey data which makes analysis on the determinants of debt financing in Myanmar Citizens Bank. On the second part, it involves suggestions that are from the results of the research findings. In the last part, it presents the needs for further research.

5.1. Findings

The finding of the study, according to the analysis on firm age, firm size, education, experience and financial transparency is the certain determinant factor of debt financing in MCB. In the past, bank first consider in the age, size. This study shows that financial transparency plays very first in determining the debt finance in the current time. In the financing age, most of the respondents are aware not to give to those SMEs that have stayed for over five years with issued financed. So it can be say that it is one of the determinants in debt financing in MCB Bank. For the firm size, more ratio of the respondents look into the large number of employees than the size of the company. It also could be rational thought that large size of the company cannot be supported with a small ratio of employee. Hence the large number employee can be accounted in thinking of debt financing. Based on the entrepreneur experience, respondents who thought that experience is not important have got weakness in mean value. This shows that experience is also the determinant factor in issuing debt financing. In the education sector, educated and skilled entrepreneur attained high opportunity in accessing debt financing. Hence this study shows that these all determinants involve in debt financing in MCB.

5.2. Suggestions

In this section, suggestions are given for the good sake and improvement of the financing practices in MCB. In the survey, this study finds out that financial transparency outstands with the highest mean among five determinants in accessing debt in MCB. In the past, banks first consider in the firm age, and size first in accessing debt financing. In the current time, transparency stands first as transparency can give a valid decision on how much risk one will be exposed to and in value on the same data. The power of financial transparency is giving the access of actual and correct information that helps to decrease the banks' risks. It's also a way to build mutual trust. With the respectful trust, a long-term communication can also be built for banks and borrowers. Thus, banks prefer financial transparency. According to the findings, it can be concluded that MCB highly takes account in financial transparency to cover the risks and finds the long term assurance with financial transparency.

In the financing age, most of the respondents are aware not to give debt financing to those SMEs that have stayed for over five years with issued financed. It can be concluded that MCB notice that SMES that have stayed for over five years has the higher chance not to pay the debt than SMES who is under five years with issued finance. On the other hand, it is issued to those SMEs that have stayed for over one year more preferably. The choice of firm age in MCB favors most who is over one year .

For the firm size, more ratio of the respondents look into the large number of employees than the size of the company. It also could be rational thought that large size of the company cannot be supported with a small ratio of employee. Hence the large number employee can be accounted in thinking of debt financing. Based on the entrepreneur experience, respondents who thought that experience is not important have got only 2.54 mean. This shows that experience is also the determinant factor in issuing debt financing. In the education sector, educated and skilled entrepreneur attained high opportunity in accessing debt financing. Hence this study shows that these all determinants involve in debt financing in MCB.

To sum up there will be two points which needs to consider strongly. Firstly, none of the determinants comes out with strongly agree statement. It could be considered, as “Are there other debt financing determinants than the stated facts in the paper?” which this paper recommend to explore it. Secondly, there is a confusing result on Firm Transparency as respondents who accept has agreed on transparency is nearly as same as who don’t agree. The considerable thing is why these two do not differ much. Hence if this reason can be found out that it could be beneficial to the improvement of financial practices in MCB.

The results in this paper indicate that a variation in perception and no consensus on the remaining factors listed, which can explain why the access to debt finance debate has been ongoing, with no sign of a unified conclusion on what actually determines access to debt financing in MCB Bank.

5.3 Needs for Further Study

In this paper, the study finds out the determinants of debt financing in Myanmar Citizens Bank. 50 respondents were participated in the survey. Since it is the first time doing research on this subject, data are limited to be measured reliably and only a small size has been conducted for survey. Therefore, there is a need to ascertain availability of the forms of finance before investigating the extent of access. Further research will be useful in establishing the forms of debt financing practices for SMEs in banking industry.

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(34) Mary Nanyondo Fhea, Msc. (Acc &Fin), BBA (Acc &Fin)(Feb,2017)

The Previous Research Study: Access To Debt Finance And Its Determinants In Uganda: An Empirical Investigation Of Small And Medium-Sized Enterprises (Smes)

(35) Central Bank Of Myanmar Website

(36) Myanmar Citizens Bank Website

APPENDIX 1

No………

To SMEs

Dear Respondent:

This survey questionnaire is for academic purposes ONLY. All the information provided will be treated with utmost confidentiality. No individual will be identified. Thank you for your participation and if you have any questions please do not hesitate to contact me directly on Tel. No. (09250289202or 09254447189).

Part A: Section 1: Background information

1. Name of the organization (Optional): ……………………………….

2. Location of the business (e.g. Central, Eastern): ……………………

Please, tick the box that best represents your response or clearly write your response in the provided space

3. Which best describes the ownership of your enterprise?

Sole proprietary ownership….. state-owned …..Joint-venture….. Shareholding with predominantly domestic…. Shareholding with predominantly foreign shareholders…….

others (Specify)…………………………………

4. Which best describes your core business sector?

Manufacturing…… Services ……….

Others (Specify)…………………………………………………..

5. Where are you located?

Rural……   Urban…….

6. Does your location affect your access to debt finance?

Yes…….   No ……..

7. If the answer is yes above please give a reason?

....

8. How many years have you been in business?...............years

9. Number of full time employees?.......................staff

PART B: Determinants of access to debt finance

Please state your opinion on the following statements by ticking the most appropriate response as follows:

1. strongly disagree 2. Disagree 3. Not sure 4. Agree 5. Strongly agree

A	Effective lending Rates					
1	Quoted interest rate charged on finance is too high	1	2	3	4	5
2	The effective lending rate too high than quoted rate The lending over time and not related which makes loans very expensive	1	2	3	4	5
3	The lending rate is not negotiable and only favourable to enterprises with high value collateral	1	2	3	4	5

4	Even MFIs have extreme interest rates which leaves an SME simply without options to get finance	1	2	3	4	5
B	**Transaction costs**					
1	The conditions of loan maturity are unfavourable E.g. paying fees, charges, transport and communication	1	2	3	4	5
2	High loan insuranc amounts	1	2	3	4	5
3	Fees of loan administration are not affordable					
4	The debt/turnover ratio is too high to qualify for a loan	1	2	3	4	5
5	Low loan amounts which increase cost of administration	1	2	3	4	5
C	**Location**					
1	Our location of the business is important to access finance	1	2	3	4	5
2	The location of the enterprise is accessible to financiers	1	2	3	4	5
3	Beecause the enterprise is strategically located access to debt finance is easier	1	2	3	4	5
4	Location has nothing to do with access to debt finance	1	2	3	4	5
D	**Firm age**					
1	Enterprise age matters in access to debt finance	1	2	3	4	5
2	The longer it has stayed in operation the easier it is to get finance	1	2	3	4	5
3	Financiers prefers SMEs that have at least been in operation for more than 1 Year	1	2	3	4	5
4	Finance is issued to those SMEs that have stayed for over 5 years	1	2	3	4	5

E	**Firm Size**					
1	The size of the business matters in access to debt finance	1	2	3	4	5
2	Large number of employees is an indicator that the business is reputable therefore can access finance	1	2	3	4	5
3	Size does not matter at all as long as other requirements are met	1	2	3	4	5
F	**Industry**					
1	Industry in which the business operated is important for issue of finance	1	2	3	4	5
2	Manufacturing business easily get finance	1	2	3	4	5
3	Service businesses are usually rejected	1	2	3	4	5
4	Agriculture business is highly risky	1	2	3	4	5
5	Industry does not matter as long as [illegible]ments are met	1	2	3	4	5
G	**Ownership**					
1	The legal status of the SME matters in access to debt finance	1	2	3	4	5
2	Sole owner businesses are not easily considered for finance	1	2	3	4	5
3	Partnerships stand a high chance to get finance	1	2	3	4	5
4	Companies are even in a much better position to access finance	1	2	3	4	5
5	Legal status has does not matter as long as other requirements are met	1	2	3	4	5
H	**Financial Tranparency**					
1	Transparency and disclosure is important in access to debt finance	1	2	3	4	5
2	Use accounting standard required access to debt finance will be easier	1	2	3	4	5

3	Audited financial records ease access to debt finance	1	2	3	4	5
4	Transparent and disclosure does not matter as long as other requirements are met	1	2	3	4	5
I	**collateral**					
1	Collateral or guarantee is key if credit is to be rendered	1	2	3	4	5
2	Value of collateral determines the fraction of the credit amount	1	2	3	4	5
3	No collateral, no credit	1	2	3	4	5
4	Collateral does not matter as long as other requirements are met	1	2	3	4	5
J	**Education**					
1	The skill of an entrepreneur in dealing with credit determines access to debt finance	1	2	3	4	5
2	Whether skilled or not as long as other requirements are met issue of finance is possible	1	2	3	4	5
3	Skill of the entrepreneur has nothing to do with access to debt finance	1	2	3	4	5
4	Education level of an entrepreneur matters in issue of finance	1	2	3	4	5
5	Educated entrepreneurs are access finance easily because they are aware of the requirements	1	2	3	4	5
6	Whether educated or not it does not matter all entrepreneurs can access finance	1	2	3	4	5
K	**Experience**					
1	Experience of an entrepreneur in dealing with credit increases chances of acquiring finance	1	2	3	4	5
2	Experience of over a year is recommended for an entrepreneur seeking finance	1	2	3	4	5

3	5 years or more are even better to issue such an entrepreneur finance	1	2	3	4	5
4	Experience has nothing to do wit ance, as long as other requirements are met	1	2	3	4	5
L	**Gender**					
1	Gender is important in access to debt finance	1	2	3	4	5
2	Men are usually trusted with finance	1	2	3	4	5
3	Women are equally trusted with finance	1	2	3	4	5
4	On two applications a man's application for finance will be processed before hat of a woman	1	2	3	4	5
5	Gender has nothing to do with issue of finance once other requirements are met	1	2	3	4	5

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Central Bank of Myanmar Website

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The previous research study: ACCESS TO DEBT FINANCE AND ITS DETERMINANTS IN UGANDA: AN EMPIRICAL INVESTIGATION OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

MARY NANYONDO FHEA, MSc. (Acc &Fin), BBA (Acc &Fin)(Feb,2017)

Appendix 1

No………

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Manufacturing…… Services ……….

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5. Where are you located?

Rural…… Urban…….

6. Does your location affect your access to debt finance?

Yes……. No ……..

7. If the answer is yes above please give a reason?

....

8. How many years have you been in business?..............years

9. Number of full time employees?.......................staff

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