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**RELATIONSHIP BETWEEN LEADERSHIP STYLES AND
EMPLOYEE COMMITMENT IN MICROFINANCE INDUSTRY
IN YANGON**

MAY THET AUNG
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EMPLOYEE COMMITMENT IN MICROFINANCE INDUSTRY
IN YANGON**

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of Master of Banking and Finance (MBF)

Supervised By:

Daw Win Than Dar

Lecturer

Department of Commerce

Yangon University of Economics

Submitted By:

May Thet Aung

Roll No.47

MBF 4th Batch

December, 2018

ACCEPTANCE

Accepted by the Board of Examiners of the Department of Commerce, Yangon University of Economics in partial fulfillment for the requirement of the Master Degree, Master of Banking and Finance.

.....
(Chairman)
Prof. Dr. Tin Win
Rector
Yangon University of Economics

.....
(Chief Examiner)
Prof. Dr. Daw Soe Thu
Professor/Head
Department of Commerce
Yangon University of Economics

.....
(Supervisor)
Daw Win Than Dar
Lecturer
Department of Commerce
Yangon University of Economics

.....
(Examiner)
Prof. Dr. Daw Maw Maw Khin
Professor/Head
Department of Statistics
Yangon University of Economics

.....
(Examiner)
Prof. Dr. Tin Tin Htwe
Professor
Department of Commerce
Yangon University of Economics

.....
(Examiner)
Prof. Dr. Aye Thu Htun
Professor
Department of Commerce
Yangon University of Economics

December, 2018

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TABLE OF CONTENTS

	Page
ABSTRACT	i
ACKNOWLEDGEMENTS	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	v
LIST OF FIGURES	vi
LIST OF ABBREVIATION	vii
CHAPTER 1 INTRODUCTION	1
1.1 Rationale of the Study	2
1.2 Objectives of the Study	4
1.3 Scope and Method of the Study	4
1.4 Organization of the Study	5
CHAPTER 2 THEORETICAL BACKGROUND	6
2.1 The Role of Leadership	6
2.2 Theories and Background of Leadership	7
2.3 Types of Leadership Style	9
2.4 Employee Commitment	14
2.5 Employee's Job Performance	14
2.6 Conceptual Framework	15

CHAPTER 3	BACKGROUND INFORMATION AND LEADERSHIP PRACTICES OF MICROFINANCE INSTITUTIONS IN MYANMAR	17
3.1	History of Microfinance	17
3.2	Definition of Microfinance	18
3.3	Microfinance Practices in Myanmar	19
3.4	Profile of selected Microfinance Institutions	22
3.5	Leadership Practices of Microfinance Institutions	23
CHAPTER 4	ANALYSIS ON LEADERSHIP STYLES, EMPLOYEE COMMITMENT AND JOB PERFORMANCE IN MICROFINANCE INDUSTRY IN YANGON	25
4.1	Research Design	25
4.2	Demographic Characteristics of Respondents	25
4.3	Employee Perception on Leadership Styles	31
4.4	Organizational Commitment of Employee	34
4.5	Employee Job Performance	36
4.6	Relationship between Leadership Style and Employee Commitment	37
4.7	Relationship between Employee Commitment and Job Performance	38
CHAPTER 5	CONCLUSION	40
5.1	Findings and Discussions	40
5.2	Suggestions and Recommendations	41
5.3	Needs for Further Research	42

REFERENCES

APPENDIXES

LIST OF TABLES

Table	Title	Page
Table 3.1	Profile of selected microfinance firms	23
Table 4.1	Gender of the Respondents	26
Table 4.2	Age of the Respondents	26
Table 4.3	Education of the Respondents	27
Table 4.4	Marital status of the Respondents	27
Table 4.5	Occupational status of the Respondents	28
Table 4.6	Salary Status of the respondents	29
Table 4.7	Experience Years of the respondents	30
Table 4.8	Employee Perception on Transformational Leadership Style	31
Table 4.9	Employee Perception on Transactional Leadership Style	33
Table 4.10	Employee Perception on Laissez-Faire Leadership Style	34
Table 4.11	Organizational Commitment of Employees	35
Table 4.12	Employee Job Performance	36
Table 4.13	Relationship between Leadership Style and Employee Commitment	38
Table 4.14	Relationship between Employee Commitment and Job Performance	39

LIST OF FIGURES

Figure	Title	Page
Figure 2.1:	Maslow's Hierarchy of Needs	11
Figure 2.2:	Conceptual Framework	16
Figure 3.1:	Overview of the Regulation and Supervision Structure for MFIs	21
Figure 4.1:	Age of the Respondents	26
Figure 4.2:	Occupational Status of the Respondents	28
Figure 4.3:	Salary Status of the Respondents	29

LIST OF ABBREVIATIONS

FRD:	Financial Regulatory Department
MMSE:	Myanmar Microfinance Supervisory Enterprise
MEB:	Myanmar Economic Bank
MADB:	Myanmar Agriculture Development Bank
MLFDB:	Myanmar Livestock and Fisheries Development Bank
CCS:	The Central Cooperative Society
MFI:	Microfinance Institutions
NGO:	Non-Government Organization
INGO:	International Non-Government Organization
USAID:	The United States Agency for International Development

CHAPTER 1

INTRODUCTION

The origins of Myanmar's microfinance sector are typically traced back to the mid-1990s, when the government allowed large international NGOs to start providing microfinance services. In 1997, the United Nations Development Programme (UNDP) began its "Sustainable Microfinance to Improve the Livelihoods of the Poor" project. The implementing partners were the INGOs Grameen, Gret, EDA, Save the Children and Pact. From 2006, Pact was the sole implementing partner. In 2009, Lift, USAID, the UK's Department for International Development and the Danish International Development Agency became donors for the project, which would eventually evolve into the largest single microfinance operation in the country.

The former government gave microfinance its first legal framework in the form of the 2011 Microfinance Business Law (MBL), which was followed in subsequent months and years by a series of rules and regulations. The MBL allowed local and foreign companies to establish private MFIs, and provided a licensing regime for entities that were already providing informal microfinance services. Between November 2011, when the law was passed, and November 2012, almost 120 MFIs received licenses. (Myanmar Financial Sector Development Report 2018). There has been, as a result, a phenomenal increase in the number of microfinance institutions (MFIs) in Myanmar, leading to an increased inflow of capital to the productive poor in the country. The concept of microfinance, however, has been in the country since the act of borrowing from relations and friends in the context of self-help to undertake economic ventures such as trading and farming activities developed.

With the advent of rural banks and other MFIs in the financial sector, the people in the informal sector who were hitherto neglected by the traditional banks began to receive some attention. These MFIs created a niche for themselves in the financial sector of the Myanmar economy and began reaping the benefits of their endeavors.

As a result of the prospects discovered, more firms have sprung up in this sub-sector to take advantage of the ever-increasing demand for products and services of the MFIs. The MFIs

are now strongly competing within the sub-sector aimed at gaining larger market share of the sub-sector. Some of these companies have collapsed while others have stagnated. Thus, the kind of management style applied has been raised as a key to the performance of such microfinance companies (Brefo, 2009; Guntz,2011). This is because the firms face similar working environment and customers; thus; to survive and grow require additional leadership skills.

In the fast changing and increasingly competitive global market environment, small and medium enterprises (SMEs) are found to exert a strong influence on the economies of many countries. The microfinance institutions have shown that microfinance institutions have played major roles in fostering economic growth, generating employment opportunities and reducing poverty. (Conroy. John D, 2003).

Microfinance institutions were originally intended to finance the poor communities, help them to sustain a living, build better houses, acquire basic education and fight against poverty. With such primary mission, the performance of microfinance projects was measured by social impact of the projects to the welfare of the intended community (Aghion & Morduch,2005).

To be able to sustainable microfinance institutions, in terms of a holistic understanding of the leadership issues around microfinance performance there is very important to analysis how managers have achieved superior organizational performance for their microfinance institutions as a result of their leadership styles.

1.1 Rationale of the Study

Sound leadership behavior is a critical factor in most of the organizations. It has led to a negative impact on the organization and loss of productivity as employees decides to leave their jobs thus causing high turnover. (Micro-finance report ;2011, Kakamega). In 2006, there was a crisis on Asian MFIs which had a number of implications. It resulted in fewer job opportunities, profitability of the MFIs fell due to reduced demand of their products. High performance leadership teams understand that their collective and individual behavior casts a positive or negative shadow across the entire organization. Data from Micro-finance institutions in

Kakamega County reveals that performance in many of MFI organization has been minimal with huge discrepancy with commercial Banks.

Leadership behavior was noted to be among the major contributing factor. Unfavorable working conditions enhanced by weak leadership behavior have dominated the industry. This has led to stressful working conditions associated with both short- and long-term individual reactions including negative effect, job dissatisfaction, turnout, physical strains and even increased mortality rates. Most of organization's performance is usually seen as a function of organization's leader behavior. This links several administrative and managerial themes which include the extent to which the organization identifies strategic goals and the degree to which they are communicated and shared by each employee. The organizations had clear vision and a set of integrated values which were embedded, collective, measurable and manageable. They were concerned with sustainability of performance based on the leader behavior. The industry has a wider market coverage due to the characteristic nature of the target clientele.

Since the country opened up in 2012, Myanmar's nascent microfinance industry has been rapidly growing. However, the growth rate of this institutions is insignificant. Most of the institutions have experienced huge turnover in their programme.

Microfinance is widely seen as a key development tool to promote financial inclusion and alleviate poverty in Myanmar. By the year, several local and foreign microfinance companies are getting in the industry. The competition in the Microfinance is increasing day by day. Today, over indebtedness in certain urban areas could become an issue. In addition, the long work hours, stress, employees' lack of commitment, job dissatisfaction and high turnover in MFI have intensified the need for effective leadership. Reflecting these factors, it is express how much it is essential for the organizations to keep employee good performance and committed workforce. Effective leadership style can enhance employees to be motivated and committed to their work. Employees, who are not motivated, caused a gap between employees' effort and their organizational effectiveness.

According to the nature of microfinance industry, field workers such as loan officers and branch managers have to meet with clients who need financial support. Therefore, field staffs have to make loan decisions for their respective clients. As team members have to take a more

participative role in the process of making decision, effective leadership practices are necessary in this industry. As microfinance industry is growing with more competition, it is crucial for Microfinance firms to maintain their committed workforce with high performance by developing effective leadership style. On this basis, this research paper will aim to study how leadership behavior impacts employee commitment and performance of Microfinance Industry in Yangon.

1.2 Objectives of the Study

The objectives of the study are as follows:

1. To identify the leadership styles in Microfinance Industry in Yangon.
2. To analyze relationship between leadership styles and employee commitment in microfinance industry in Yangon and
3. To identify relationship between employee commitment and job performance in microfinance industry in Yangon.

1.3 Scope and Method of the Study

The study was investigated the relationship between leadership style and employee commitment and job performance in Microfinance Industry in Yangon. The study was emphasized on leadership style of Microfinance Industry, focused on three types of leadership style: Transformational Leadership Styles, Transactional Leadership Styles and Laissez Faire Leadership Styles and their relationship to employee commitment and job performance. To identify the leadership styles and relationship between leadership style and employee commitment in microfinance industry in Yangon, quantitative method is used for asking survey questionnaires and descriptive research method is used to analyze in this study.

The primary data was collected from 160 respondents from eight microfinance firms with structured questionnaire and using random sampling method. The targeted microfinance of the study are 86 MFIs in Yangon area and sample size were chosen from the large size of eight microfinance firms , 10% of the targeted MFIs, 20 respondents from each selected firm was chosen as sample size of this study. Secondary data were collected from literature review,

including text books, publications, thesis papers, research papers, reports, journals and internet websites.

1.4 Organization of the Study

This paper organized into five chapters. Chapter one is introductory which involves rationale of the study, objective of the study, methodology and scope of the study and organization of the study. The theoretical background on relationship between leadership style and employee commitment of this study is presented in Chapter Two. Chapter Three describes Background Information and leadership practices of Microfinance Institutions in Myanmar. Chapter Four discusses the relationship between leadership styles and employee commitment and job performance in microfinance industry in Yangon. At last, Chapter Five includes the conclusion with the researcher's findings and discussions, suggestions and recommendations and needs for further research.

CHAPTER 2

THEORETICAL BACKGROUND

This chapter focuses on the various theories that explain leadership and the relationship between leadership style and employee commitment and performance outcomes. This chapter is formed of five portions, such as the role of leadership, theories and background of leadership, types of leadership styles, employee commitment and employee performance outcome.

2.1 The Role of Leadership

Leadership is defined as the art of influence. In an organizational context, leadership focuses on influence of employees to champion the organizational discourse or mandate. Bass and Avolio (1991) recommended that organizations intending to be effective require leaders who are tactical, strategic and have a culture of building and growing the business. When an organization has poor leadership, productivity is diminished, quality of service of production is reduced, turnover and absenteeism are increased. However, when the leadership is effective, employees are involved and committed, productivity is achieved, creativity is evident and objective of the company is realized.

The success of an organization depends on managers and their leadership capabilities. Through the application of appropriate leadership styles, managers can affect employee job satisfaction, commitment and performance in general. Many studies have been conducted on leader-follower relationship and its impact on employee performance, organizational commitment, work quality and job satisfaction among others (Bass, B.M & Riggio ,RE, 2006).

A major role of managers and supervisors is to take care of the employees who in turn create value towards realizing the goal of the organization. The leaders are therefore the ones who set the pace in the organization, define its values and norms and create the organizational culture. While leadership is very important, very often than not, employees are hired for their technical specific skills. However, when they settle down to work, leadership skills become essential for the realization of the organization's mandate.

Microfinance sector is a vibrant emerging segment of the Myanmar economy. Some of the practitioners have been a success because they have been leveraged by exceptional leadership. The very essence and moral purpose of leadership is to create an empowered, motivated and satisfied followership (Hersey and Blanchard,1993). Organizations can build leadership traits and qualities and impart on employees and in the process create winning organizations which deliver on their vision. To do this, there must be a clear understanding of the appropriate leadership style for the organization.

2.2 Theories and Background of Leadership

Leadership has always occupied a central role in the study of management. Strong managers are usually strong leaders, and success in accomplishing organizational goals often depends on the leadership qualities displayed. In a sense leadership is “putting it all together” as far as managing is concerned. To be an effective leader requires an understanding human behavior, motivation, communication, goal setting, decision making, power and many other concepts (Albert Puni, Samuel B. Ofie & Abednego Okoe,2014). The following sections include a review of the most popular theories and approaches to leadership.

The Great Man Theory

According to proponents of the Great Man theory, women give birth to leaders. The theory implies that there are certain natural personalities that enable some people to emerge out of a certain given situation or times to become leaders. The great man theory is strongly predicated on notion that the destiny of people in a particular nation is shaped by the ability of their leaders to provide direction and authority to take and implement good decisions. One of the setbacks of the great man model is that the external environmental had no influences on leadership development. In addition, the great man theory assumes that culture, values, norms and prevailing conditions are static. Modern leadership and management practices, however, show that leadership are set off skills and competencies that people can acquire through training and capacity building.

Trait Theory

The trait theory states that when great leaders emerge from among people, then it should be possible to identify the qualities that differentiate them from their followers. According to the trait theorists, such leadership consists of personal characteristics endowed within individuals. The trait underscores importance of attributes that differentiate effective from ineffective leaders. The theory postulates there are predetermined set of individual personalities and internal attributes such as height, color, values, beliefs, orientation to power, gender confidence and mental, physical and emotional attributes.

Behavioral Theory

The trait theory led to the emergence of behavioral theories. A behavior is an observable action that emanates from traits and personalities of the individual. Since behavior is an observable action, it makes it more meaningful to define and measure. Behavioral leadership theory sharply contrasts with trait theory in that the behavioral leadership approach examines leadership from the perspective of what leaders do rather than the constituents of individuals' personalities. Behavior theorists contend that leaders could emerge within a group through training and experience. Leaders are also not determined by hereditary or genetic composition of individuals. Subsequently, the behavioral theorists insist that people can acquire leadership effectiveness and efficiency through formal and informal training.

Contingency Theory

The contingency theory approach to leadership was influenced by two earlier research programs endeavoring to pinpoint effective leadership behavior. During the 1950s, researchers at Ohio State University administered extensive questionnaires measuring a range of possible leader behaviors in various organizational contexts. Although multiple sets of leadership behaviors were originally identified based on these questionnaires, two types of behaviors proved to be especially typical of effective leaders: (1) consideration leader behaviors that include building good rapport and interpersonal relationships and showing support and concern

for subordinates and (2) initiating structure leader behaviors that provided structure (e.g., role assignment , planning , scheduling) to ensure task completion and goal attainment.

Situational Leadership Style Theories

Situational or contingency theories held that there was no universal leadership behavior that could be applied to all situations. The basic view of Fred Fiedler's Contingency Theory is that group effectiveness is dependent upon the proper match between the leader's personality or style and the demands of the situation. According to Fiedler, leaders who are characterized as task-oriented will be effective in favorable and unfavorable situations. Also, Fiedler assumes that employee-oriented leaders will be more effective in favorable situations than unfavorable ones.

Path- Goal theory, developed by Robert House (1971), explained how a leader might successfully improve the satisfaction and performance of his subordinates. In this theory, House devised four types of leader behavior: (a) directive, (b) supportive, (c) achievement-oriented, and (d) participative.

Vroom and Yetton (1973) developed a model that was designed to help a leader through a rational process to choose an appropriate leadership style that fits with a given situation. The model identified five leadership styles, each of which reflects a behavioral option for the leader: 1) the leader makes the decision alone, 2) the leader asks for information from subordinates but makes the decision alone, 3) the leader asks subordinates for information and evaluation, but the leader alone makes the decision, 4) the leader and subordinates meet as a group to discuss the situation, but the leader makes the decision, and 5) the leader and subordinates meet as a group to discuss the situation, and the group makes the decision.

2.3 Types of Leadership Styles

While early theories tend to focus upon the characteristics and behaviors of successful leaders, later theories begin to consider the role of followers and the contextual nature of leadership.

Transactional leadership style was introduced by Burns in 1978. Later in 1985, Bass developed the theory of transformational leadership style. Situational leadership theory sees

leadership as specific to the situation in which it is being exercised. For example, whilst some situations may require an autocratic style, others may need a more participative approach. Behavioral approaches suggest that it is the behavior of the leader_ autocratic or democratic styles rather than a personality trait that determines leadership effectiveness. Perhaps any leader can adopt the correct behavior with appropriate training. This paper mainly focuses to review the theory of behavioral approaches.

(i) Transformational Leadership

Transformational leadership is the approach where the leader transforms the values, needs, aspirations, priorities and cause higher motivation and commitment among the subordinates and making them perform beyond their expectation (Burns, 1978; Bass ,1985). Bass and Riggio (2006) described transformational leaders as those who stimulate and inspire their followers to achieve extraordinary outcomes and, in the process, develop their own leadership capacity. Kouzes and Posner (1988) defined transformational leadership on a vision-involvement -persistence (VIP) model. The model consists of five parts, namely, challenging the process, inspiring a shared vision, enabling others to act, modelling the way, and encouraging the heart.

A more accepted breakdown of transformational leadership was developed by Bass (1985) and consists of four key features; Idealized influence (charisma), inspirational leadership, individualized consideration, and intellectual stimulation (Bass ,1985; Avolio et al ,1991).

Idealized Influence: is defined as the leader's ability to clearly articulate a vision to the followers and motivate followers to capture the vision (Bass, 1999). Idealized Influence results in charismatic leadership in that the leader acts in way that makes him a role model. Idealized influence leads to strong follower relationship, emotions and identification with the leader. Charismatic leaders are willing to take risks, are consistently reliable, display high moral, clear set of values, ethical standards which are demonstrated in every opportunity.

Inspirational Motivation: is the leader's ability to inspire confidence, motivation and a sense of purpose to his followers. It embodies team spirit and emotionally challenges the followers to internalize the desired goals (Bass, 1985). The leader articulates a clear vision, communicates

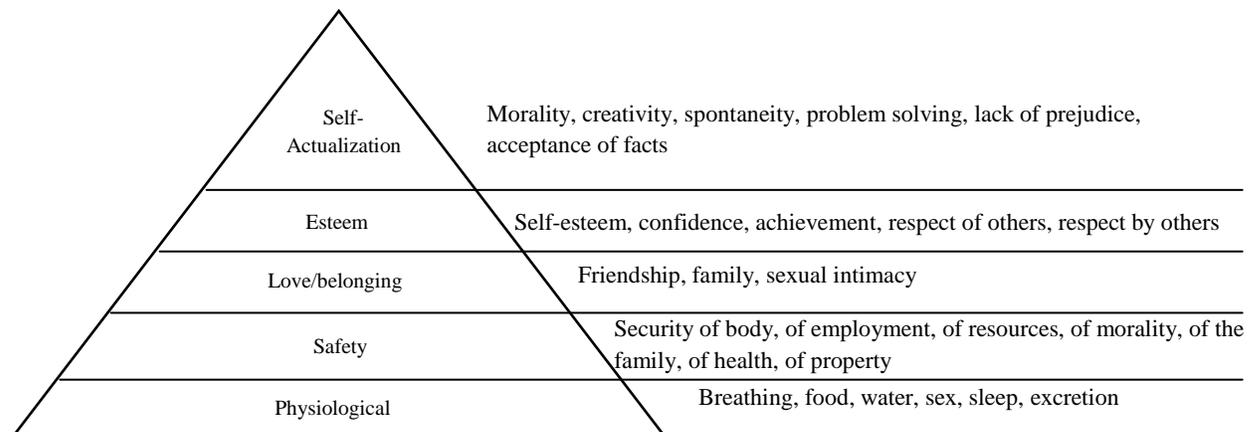
well to convey the messages with precision, power and a sense of authority. The leader also displays enthusiasm, optimism, and provides both meaning and challenge to the work at hand with commitment to the goals and a shared vision.

Individualized Consideration: is described as the leader's conduct as a mentor and coach. The leader attends to each individual follower's needs. The leader also incorporates the aspects of respect and utilizes every opportunity to celebrate the individual contribution or progress (Bass, 1985). Followers accordingly grow continually to higher potentials.

Intellectual Stimulation: is described as the degree to which the leader challenges assumptions, takes risks and welcomes ideas from the followers without criticism (Bass, 1985). The leader supports his followers by involving them in the decision-making process. The leader also stimulates their followers to be as creative and innovative as possible (Bass and Avolio, 1990). The followers on the other hand get to interrogate the methods of solving problems (Avolio et al, 1999).

According to Bass (1985), transformational leaders are those who motivate followers to do more than originally was expected. That could be achieved, Bass argued, through any one of the following steps: (1) increasing followers' awareness and consciousness of the importance of designated outcomes and the steps that lead to these outcomes, (2) encouraging followers to transcend their own self-interests, and (3) expanding or altering followers' needs and wants according to Maslow's Hierarchy of Needs. There is also a strong linkage of Transformational Leadership with the higher levels, as it requires a high level of authenticity, self-esteem and self-actualization to successfully be a Transformational Leader. Ideals are higher in Maslow's Hierarchy, which does imply that lower concerns such as health and security must be reasonably safe before people will pay serious attention to the higher possibilities.

Figure 2.1 Maslow's Hierarchy of Needs



Source: www.wikipedia.org

Using social and spiritual values as a motivational lever is very powerful as they are both hard to deny and also give people an uplifting sense of being connected.

(ii) Transactional Leadership

Transactional leaders focus on accomplishment of the task. It is the style of leadership where followers receive rewards for acting according to the leader's wishes. If the task is not achieved, the leader punishes the followers. Transactional leadership consists of three features; contingent reward, active-management-by-exception, and passive-management-by-exception. (Bass & Avolio, 1990; Barbuto, 2005).

Contingent Rewards or reinforcement: Contingent reward is characterized by the leader clarifying desired outcomes and exchanging rewards and recognitions with the follower for achieving the desired expectations (Bass, 1985). It is an approach where the goals are linked to rewards. The leader clarifies expectations, provide necessary resources, set mutually agreed upon goals, and provide various kinds of rewards for successful performance. It has been argued that both contingent reward (Transactional leadership) and individualized consideration (transformational leadership) are conceptually similar (Avolio et al, 1999).

Management by exception active: Management by exception active is characterized by the leader enforcing rules, searching for errors to correct, and monitoring deviations so as to correct. It occurs when the leader attempts to maintain the status quo and does not consider trying to make improvements as long as things are going according to plan (Bass, 1985). Active management by exception style of leadership also arise when the leader enforces prearranged punishments for a given problems or failure (Barbuto,2005). It is an approach where the leader keeps track of mistakes and looks for irregularities in work. This type of feedback is often negative and involves reprimands and taking corrective action to prevent mistakes.

Management by exception passive: Management by exception passive is characterized by setting standards but waiting for problems to arise, and then reacting or responding to mistakes (Bass ,1985). The leaders do not get involved until it is absolutely necessary (Barbuto,2005). The leader with this feature will only intervene when standards are not met or when the performance is not as per the expectations. They may use punishment as a response to unacceptable performance.

(iii) Laissez-Faire Leadership Style

Laissez-faire leadership emerges as the ultimate form of leading during the twenty-first century. The laissez-faire leader does not intervene in the affairs of followers and shows little control very slightly on the group. Leader's participation is very low in the activities of group members. Laissez-faire leader is uninvolved in the work of the unit. The leader does not interfere with or participate in the course of events determined by the group. The Laissez-faire leader believes in freedom of choice for the employees, leaving followers alone so they can do as they want. Laissez-faire management or leadership can only lead to chaos and inefficiency and can be dismissed out of hand as useless. Leaders who use this style offer no positive or negative direction nor do they interfere at any time and ultimately fail their employees.

Laissez-faire leader provides basic but minimal information and resources. There is virtually no participation or communication within the group. Understanding of the job

requirements, policies and procedures are generally exchanged from employee to employee. As a result, many processes are out of control. No instruction is given and the Laissez-faire leader functions in a crisis or reaction mode. If there are objectives and goals, employee agreement or commitment is just assumed. Even if goals and objectives are shared, there is rarely a defined plan to attain them.

If Laissez-faire leadership and empowering patterns of leadership are compared, Laissez-faire leadership is associated with lower task motivation and lower satisfaction with superiors. According to former researches, Laissez-faire leadership is also associated with the highest rates of absenteeism and delinquency and with the slowest modification in performance.

Basically, the overall relationship of Laissez-faire leadership seems to be negative. But there may be an aspect of such a style of leadership that is very positive. Laissez-faire leadership style may operate best on employees that are independent and also responsible for maintaining control of their work, plus at a particular skill-level, where subordinates do not need a push from their superiors.

2.4 Employee Commitment

Employee commitment is identified as psychological state that binds individual to the manager, occupation and organization. Commitment binds an individual to a course of action of relevance to one or more targets. Organizational commitment of employees was measured using organizational commitment questionnaire (OCQ) developed by Porter and his associates in 1974. This was designed to measure the relative strength of an individual's identification with and involvement in a particular organization.

According to Mowday et al., (1979), employee commitment is a multidimensional structure and it is the relative strength of an employee's identification and participation in a particular organization., organizational commitment could be characterized by at least three factors:

1. a strong belief in and acceptance of the organization's goals and values,
2. a willingness to invest considerable effort on behalf of the organization;
3. a strong desire to maintain membership in the organization (Mowday et al. 1982)

The three components of employee commitment are a psychological state that either characterizes the employee's relationship with the organization or has the implications to affect whether the employee will continue with the organization. An individual can have similar or different levels of all types of commitment. Those commitments are not mutually exclusive. Regardless of the definition, committed employees are more likely to remain with the organization. Employee commitment is an effective predictor in predicting an employee's performance in workplace and his turnover intention. Thus, it is essential for managers and leaders to pay keen attention to the employee's commitment.

2.5 Employee's Job Performance

Performance defines as the accomplishment, execution, carrying out and working out of anything ordered or undertaken. This refers to outputs or accomplishment. It also states that performance is about doing the work as well as being about the results achieved. Performance was regarded by Bernadin et al (1995) and Kane (1996) as simply the outcomes of work; a record of a person's accomplishments. But performance could be seen as behavior_ the ways in which organizations, teams and individuals get work done. According to Brumbach (1988), a more comprehensive view of performance is achieved if it is defined as embracing both outcomes and behavior.

Bates and Holton (1995) emphasized that performance is a multidimensional construct. Campbell et al (1993) pointed out that the components of performance are: 1) job-specific task proficiency; 2) non-job-specific proficiency (e.g. organizational citizenship behavior); 3) written and oral communication proficiency; 4) demonstration of effort; 5) maintenance of personal discipline; 6) facilitation of peer and team performance; 7) supervision or leadership; and 8) management or administration.

Job performance is also defined as work performance in terms of quantity and quality expected from each employee (business dictionary). Individual differences in personality and

cognitive ability variables, in combination with learning experiences, lead to variability in knowledge, skills, and work habits that mediate effects of personality and cognitive ability on job performance.

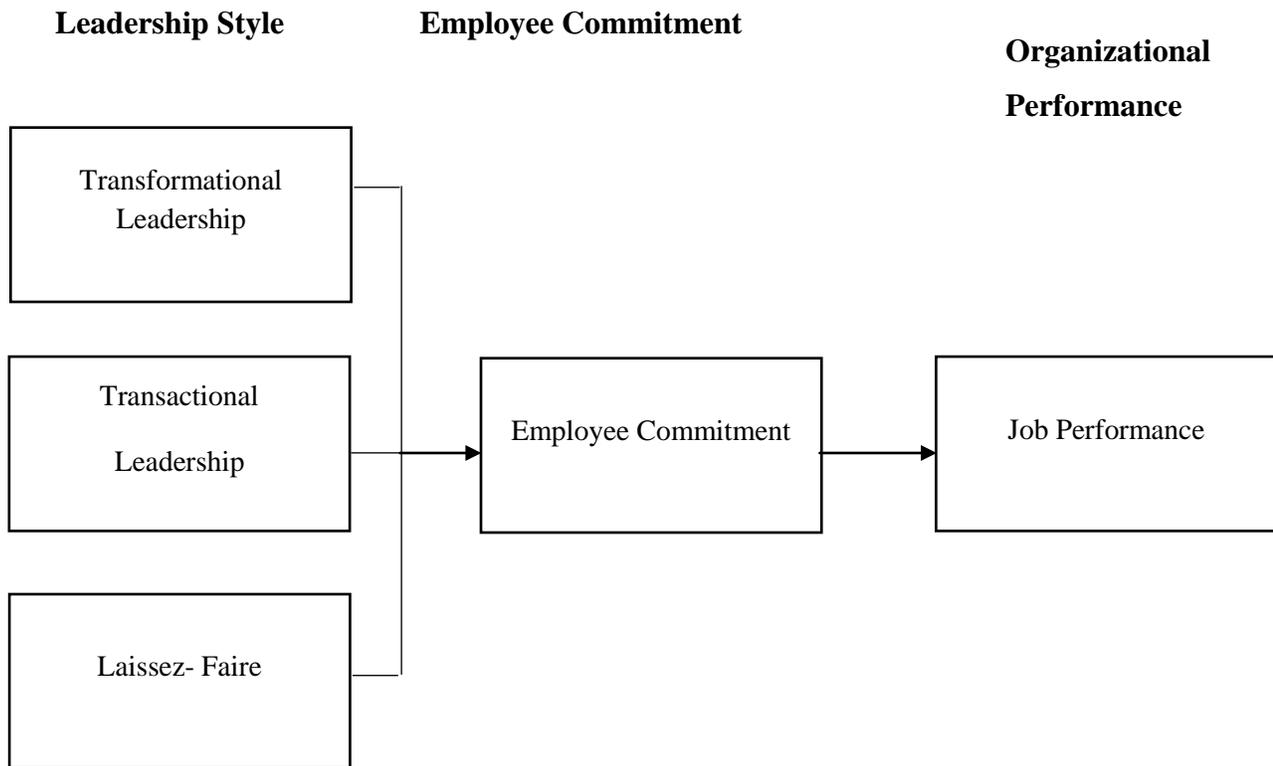
According to researches, committed employees give a big contribution to organizations because committed employees perform and behave on achieving organizations' goals. Furthermore, workers who are committed to their organization are happy to be members of it, believe in and feel good about the organization and what it stands for, and intend to do what is good for the organization. To sum up, it is useful for organizations to analyze employees' commitment and job performance for their organizational success.

2.6 Conceptual Framework

The dependent variable, employee commitment, relies on the factors of Transformational Leadership Style, Transactional Leadership Style and Laissez-Faire Leadership Style which are the independent variables in the research study. In today's competitive world, it is difficult for organizations to compete or even to survive without satisfying the most valued asset of the organization, employees, and developing commitment of the employees towards their leader and organization.

More emphasis has been given to the outcome of Transformational and Transactional leadership and less to the demographic variables which plays the role of another set of independent variables. Hence, investigation of subordinate's commitment with the leader and in turn towards the organization from the perspectives of these two leadership styles is central to this research. Finally, job performance resulted by the level of employee commitment is measured to identify the relationship between each leadership style.

Figure 2.2 Conceptual Framework



Source: Dr. Haroon Hafeez, University of Utara Malaysia, “*Relationship of leadership styles, employee commitment, organizational performance*” *European Journal of Economics, Finance and Administrative Sciences* (June 2012).

CHAPTER 3

BACKGROUND INFORMATION AND LEADERSHIP

PRACTICES OF MICROFINANCE INSTITUTIONS IN MYANMAR

This chapter is structured to focus on the background history of microfinance, definition of microfinance, microfinance standards and principles and leadership practices in microfinance institutions.

3.1 History of Microfinance

The history of micro financing can be traced back as long to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way getting the people out of poverty. But it was at the end of World War II with the Marshall plan the concept had big impact.

The today use of the expression microfinancing has its roots in the 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Mohammad Yunus, were starting and shaping the modern industry of microfinancing. Another pioneer in this sector is Akhtar Hamed Khan. At that time a new wave of microfinance initiatives introduced many new innovations into the sector. The main reason why microfinance is dated to the 1970s is that the programs could show that people can be relied on to repay their loans and that it's possible to provide financial services to low income level people through market-based enterprises without subsidy. Shore bank was the first microfinance and community development bank founded 1974 in Chicago.

An economical historian at Yale named Timothy Guinnane has been doing some research on Friedrich Wilhelm Raiffeisen's village bank movement in Germany which started in 1864 and by the year 1901 the bank had reached two million rural farmers. Timothy Guinnane means that

already then it was proved that microcredit could pass the two tests concerning peoples pay back moral and the possibility to provide the financial service to low income level people.

Another organization, the caisse populaire movement grounded by Alphone and Dorimene Desjardins in Quebec, was also concerned about poverty, and passed those two tests. Between 1900 to 1906 when they founded the first caisse, they passed a law governing them in the Quebec assembly, they risked their private assets and must have been very sure about the idea about microcredit.

Today the World Bank estimates that more than Sixteen million people are served by some 7000 microfinance institutions all over the world. Consultative group to Assist the Poor (CGAP) experts means that about 500 million families benefits from these small loans making new business possible. In a gathering at a Microcredit Summit in Washington DC the goal was reaching 100 million of the world's poorest people by credits from the world leaders and major financial institutions.

The year 2005 was proclaimed as the as the International year of Microcredit by The Economic and Social Council of the United Nations in a call for the financial and building sector to “fuel” the strong entrepreneurial spirit of the poor people around the world.

The International year of Microcredit consists of five goals:

- (a) Assess and promote the contribution of microfinance to the MFIs
- (b) Make microfinance more visible for public awareness and understanding as a very important part of the development situation
- (c) The promotion should be inclusive the financial sector
- (d) Make a supporting system for sustainable access to financial services
- (e) Support strategic partnerships by encouraging new partnerships and innovation to build and expand the outreach and success of microfinance for all.

3.2 Definition of Microfinance

Microfinance is a source of financial services for entrepreneurs and small business lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are:

- (a) Relationship-based banking for individual entrepreneurs and small businesses,
- (b) Group-based models, where several entrepreneurs come together to apply for loans and other services as a group.

In some regions, for example near and expansion areas of the Yangon City in Yangon Division, microfinance is used to describe the supply of financial services to low level of income people. For some, microfinance is a movement whose object is “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high-quality financial services, including not just credit but also savings, insurance and fund transfers “. Providing to the Microfinance Law in Myanmar (The Pyidaungsu Hluttaw Law No.13,2011).

Microfinance is among the eight priorities of the national development Strategy which are managed by Financial Regulatory Department (FRD). FRD is the department under the Ministry of Planning and Finance which was reformed into two ministries as the Ministry of Finance and the Ministry of National Planning and Economic Development according to the Notification Order (12/93) of the State Law and Order Restoration Council on 17 February 1993.

In the 2000s, the microfinance industry’s objective is to satisfy the unmet demand on a much larger scale, and to play a role in reducing poverty. While much progress has been made in developing a viable, commercial microfinance sector in the last few decades, several issues remain that need to be addressed before the industry will be able to satisfy massive world-wide demand. The obstacles or challenges to building a sound commercial microfinance industry include: Inappropriate donor subsidies, Poor regulation and supervision of deposit-taking MFIs, Few MFIs that meet the needs for savings, remittances or insurance, Limited management capacity in MFIs, Institutional inefficiencies, Need for more dissemination and adoption of rural, agricultural microfinance methodologies.

3.3 Microfinance Practices in Myanmar

i. Financial Regulatory Department

State Pawn Shop was first open on 11 November 1952. In 1961, it became People’s Loans Company. In 1963 it was still People’s Loan Company under the People’s Bank of the Union of Myanmar. In 1990 it was again Myanmar Economic Bank Small loans. And then it was transformed into Myanmar Small Loans Enterprise on 14 August 1992. Myanmar Small Loans

Enterprise was transformed into Myanmar Microfinance Supervisory Enterprise (MMSE) on 11 October 2011 in order to give licenses to microfinance institutions and to regulate them. (Ministry of Planning & Finance, 2018)

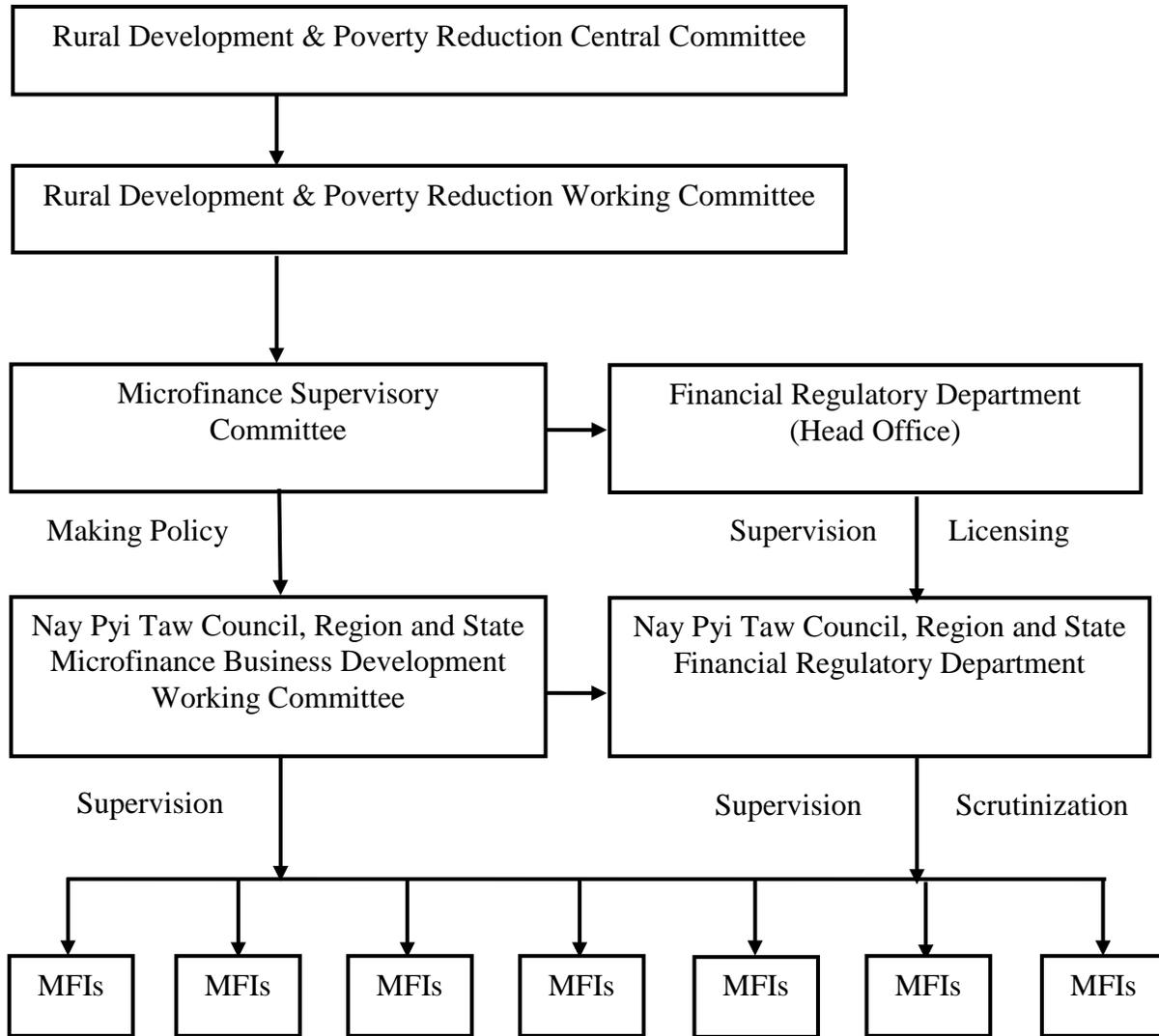
Apart from microfinance supervision, MMSE had to manage current small loans enterprises. After that, MMSE was transformed into Financial Regulatory Department (FRD) on 1 September 2014. In transforming into a department, the allowed strength included 115 gazetted officials and 492 non-gazetted office staff, total 607. In accord with the setup of FRD, one of the tasks that FRD carry out is the regulation of microfinance institutions.

ii. **Regulation of Microfinance Institutions**

In order to carry out the private micro-credit and savings development, Private Micro-credit and Savings Development Supporting Committee comprising the Union Minister of the Ministry of Planning & Finance as the chairman was formed by the Union Government. The Supporting Committee drafted a bill in cooperation with the relevant experts to develop the Microfinance Business Law to be enacted by the Pyidaungsu Hluttaw. Microfinance Business Law was enacted under the Pyidaungsu Hluttaw Law No.13/2011 on 30th November 2011.

In accord with the Microfinance Business Law, the respective tiers of supervision carried out by the FRD in connection with the Microfinance Supervisory Committee comprising the Union Minister of Ministry of Planning & Finance as the chairman and the Regions and States Microfinance Business Development Working Committee are mentioned as follows:

Figure (3.1) Overview of the Regulation and Supervision Structure for MFIs



Source: The news from Myanmar Microfinance Supervisory Enterprise (June 2012)

In order to grant operation licenses to microfinance institutions, Private Micro- credit and Saving Development Supporting Committee holds meetings and makes judgments on the basis of the following 4 Criteria:

1. Institutional framework
2. Ability to raise socio-economic life
3. Ability to expend to rural areas
4. Interview

The selected microfinance institutions are granted licenses temporarily for one year. The temporarily licensed institutions are checked every four months and issuing proper license according to the decision of the committee is proceeded.

iii. **Key Operators of Microfinance**

After the Microfinance Business Law has been enacted in accord with the current data of issuing microfinance operation licenses until February 2017, it is mentioned as follows:

With the amount of the paid-up capital of the microfinance institutions, totaling 3,971.11 billion in kyats the amount of loan disbursement to 3.35 billion clients and it is being operated in 18,062 villages, 1,782 quarters and 232 townships. In Yangon Division, totaling 234 billion in kyats the amount of loan disbursement and deposit amount from clients are 27 billion in kyats has been made to 1.19 Million borrowers. (2018 April, FRD Supervisory Committee; 1/2018 workshop).

Financial services are given by the licensed microfinance institutions, providing low-income population with 6.15% for production sector, 33.30% for services sector, 23.89% for trade sector, 16.1% for agricultural sector and 20.48% for livestock breeding and fisheries sector in order to effectively use for employment opportunities.

Key operators of microfinance are state-own and private banks such as Myanmar Economic Bank (MEB), Myanmar Agriculture Development Bank (MADB) and Myanmar Livestock and Fisheries Development Bank (MLFDB), cooperatives such as The Central Cooperative Society (CCS), The Employee Savings and Credit Cooperatives, the Bazaar Savings and Credit Cooperatives, the Microfinance Cooperatives and the Agriculture Savings and Credit Cooperatives, NGOs such as Grameen Trust from Bangladesh in the Delta Region, GRET from France, PACT from the United States, specialized agricultural development companies and government organizations.

As of March 2018, there are totally 176 licensed MFIs under FRD supervision, which does not include cooperatives. Among them, Local MFIs are 107, Foreign owned MFIs are 39, joint -venture MFIs are 3 and INGOs 5 and NGOs are 22.

3.4 Profile of Selected Microfinance Institutions

MFIs have two objectives to achieve; financial sustainability and outreach to the poor. However, different types of MFIs have different ways of achieving their goals. How the MFIs achieve the dual objective can be affected by the type of ownership. NGOs are the pioneers in the microfinance industry. NGOs are usually the first to start offering services to the poor in a specific region or to a specific segment in the population. When trying to achieve the financial goals, there is also a risk that NGOs will lose sight of the social goals. Growth in MFIs is much due to the insistence on financial sustainability. But for most practitioners and funders it is important to also reach the poor, provide quality services, and improve clients' lives. Hence, both financial and social performance is important.

There are various types of microfinance institutions such as NGOs, Local MFIs, International MFIs, state-own and private banks in the microfinance industry. Among them, eight microfinance institutes participated in this research. Since micro financing became popular on a large scale from 1970s, most of the international MFIs have experienced management team and effective leadership practices. Profile of selected microfinance firms is mentioned in Table (3.1) in appendix.

3.5 Leadership Practices of Microfinance Institutions

Microfinance firms usually have board of directors and chief executive officers or managing directors who coordinates with top level managers or leaders who are department heads. Department heads such as admin manager, human resources manager, finance manager, IT and MIS manager and operation manager take in charge of their respective function together with their team members. Among these departments, operation departments are usually the biggest in size and have diverse line managers depending on the type of loan products and services each MFI provides.

In terms of leadership practices, the so-called boards of directors, chief executive officers or managing directors are from well experienced national and international financial groups and organizations such as Brac Myanmar, Brighter Future Foundation Myanmar, KB

Microfinance Myanmar, Woori Finance Myanmar, Sathapana Limited, Fullerton Finance Myanmar, Pact Global Microfinance Fund, INNO Capital which are Financial Holdings from Bangladesh, Cambodia and Korea. Those leaders give effective leadership guidelines to top level or departmental level leaders conducting leadership trainings, discussing effective leadership skills and delegating tasks to respective leaders. However, as theorists have pointed out, all leaders may not have common leadership styles and so as the leaders from MFIs. Different organizations and departments practice different leadership styles.

According to the nature of microfinance industry, field workers such as loan officers and branch managers have to meet with clients who need financial support. Therefore, field staffs have to make loan decisions for their respective clients. As team members have to take a more participative role in the process of making decision, democratic leadership practices are necessary in this industry.

However, on the other hand, those field staffs must be trained well to practice the policies, procedures and guidelines developed by head of departments so that the decision-making practices are consistent. As the number of field staff comprises two third of the whole organization, to make sure that the field workers follow the standard procedures and guidelines, leaders of MFI also need to take rigorous control over subordinates and demand complete followership from them. Control and domination, continual pressure to achieve single objective and instructing subordinates in a didactic way are major approaches that operational leaders tend to practice. Therefore, both Transformational and Transactional leadership practices are dominant in the microfinance industry.

CHAPTER (4)

ANALYSIS ON LEADERSHIP STYLES, EMPLOYEE COMMITMENT AND JOB PERFORMANCE IN MICROFINANCE INDUSTRY IN YANGON

This chapter analysis on the three main parts. In the first part, demographic characteristics of respondents are described. In the second part, the perception of leadership style, employee commitment and job performance is presented. In the third part, relationship between leadership styles and employee commitment, job performance is described.

4.1 Research Design

The study took an inferential approach to explore the relationship between the perceived leadership style of supervisors and commitment and job performance of subordinate employees. The study was conducted eight Large Size Microfinance Institutions in Yangon, Myanmar. A total of 158 employees filled the questionnaire in this survey. Statistical Package for Social Sciences (SPSS) program was used to analyze and descriptive and inferential statistics and determine the relationships between various data sets. Pearson correlation coefficient was used to specify relationship between variables. The questionnaire had 57 items designed to measure four subscales of transformational leadership style, three subscales of transactional leadership style and laissez-faire leadership style. Each item was measured on a five-point Likert scale and the scale range is 1 to 5 including; strongly disagree, disagree, neutral, agree and strongly agree.

4.2 Demographic Profile of Respondents

Total of 158 staffs from eight selected microfinance firms are included in this survey to explore the relationship of leadership style and employee commitment, job performance in the microfinance industry in Yangon. Selected firms were informed about the objectives of the study and proposed to participate in this survey. This section describes the demographic profiles of the respondents such as age, gender, marital status, educational background, income level, job rank and experience with current organization and current leader. Table (4.1) presents gender of the respondents.

Table (4.1) Gender of Respondents

Gender	Number of respondents	Percent
Male	55	34.8
Female	103	65.2
Total	158	100

Source: Survey Data (2018)

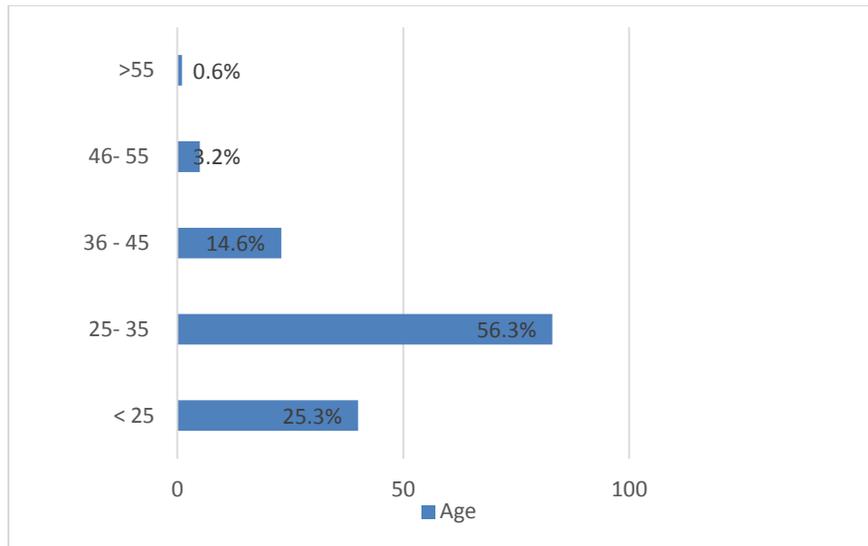
Table (4.1) shows gender of the respondents in selected respondents: male 34.8 % and 65.2%. Thus, the female respondents have a larger domain than male.

Table (4.2) Age of the Respondents

Age (Years)	Number of Respondents	Percentage
<25	40	25.3
26 – 35	83	56.3
36 - 45	23	14.6
46 - 55	5	3.2
> 55	1	0.6
Total	158	100

Source: Survey Data (2018)

Figure (4.1) Age of the Respondents



Source: Survey Data (2018)

Table (4.2) and figure (4.1) show that 56.3% of the respondents are within the age range of 26 to 35 years. It also reveals that 14.6% of the respondents were in the age category of 36 to 45 years while 25.3% of the respondents were aged below 25 years. This is a clear indication of a mature work force capable of making sound decisions in support of organizational performance.

Table (4.3) Education of the Respondents

Respondents were asked to indicate their academic level and findings in table (4.3) indicate that 135 respondents (85.4%) are holders of Bachelor degrees. The study also reveals

Education	Number of Respondents	Percentage
Under Graduate	12	7.6
Bachelor Degree	135	85.4
Master Degree	11	7.0
Total	158	100

that 11 respondents (7%) have Master Degree

es while 12 respondents (7.6%) have under graduate. This is an indication that microfinance institutions prefer to employ highly qualified and technically competent individuals to work for them.

Table (4.4) Marital Status of the Respondents

Marital Status	Number of Respondents	Percentage
Single	75	47.5
Married	83	52.5
Total	158	100

Source: Survey Data (2018)

Table (4.4) shows 52.5 % are married and 47.5 % are single of the respondents.

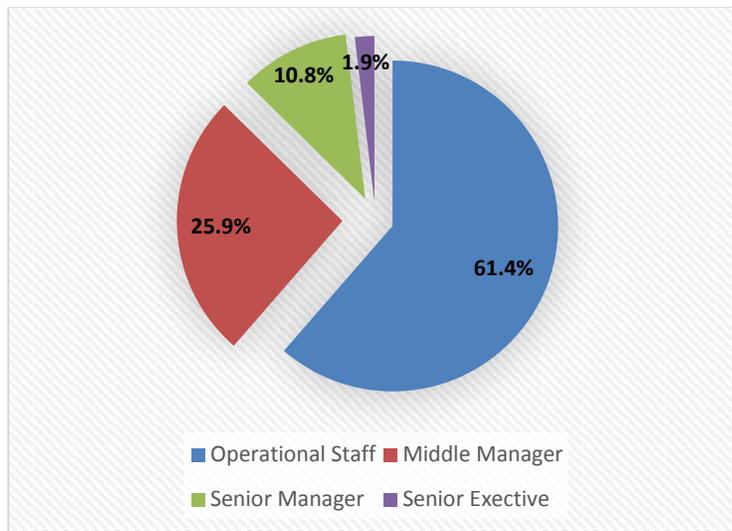
Table (4.5) Occupational Status of the Respondents

Occupational Status	Number of respondents	Percentage
Operational Staff	97	61.4
Middle Manager	41	25.9
Senior Manager	17	10.8
Senior Executive	3	1.9
Total	158	100

Source:
Survey
Data
(2018)

Figur

e (4.2) Occupational Status of the Respondents



Source: Survey Data (2018)

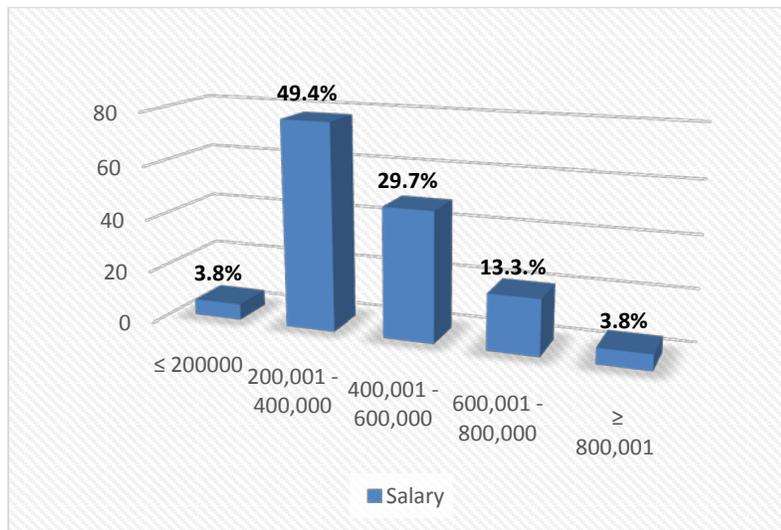
Table (4.5) and figure (4.2) reveal that 61.4% of the respondents are operational staff, 25.9% of the respondents are middle manager, 10.8% of the respondents are senior manager and 1.9% of the respondents are senior executive. Being a microfinance industry, it is necessary for the microfinance firms to expand to the new areas to promote social impact from time to time. Thus, the number of operational level respondents comprises more than half of the whole workforce.

Table (4.6) Salary Status of the Respondents

Salary Status (MMK)	Number of respondents	Percentage
≤ 200,000	6	3.8
200,001 - 400,000	78	49.4
400,001 - 600,000	49	29.7
600,001 - 800,000	21	13.3
≥ 800,001	6	3.8
Total	158	100

Source: Survey Data (2018)

Figure (4.3) Salary Status of the Respondents



Source: Survey Data (2018)

Table (4.6) and figure (4.3) shows salary status of the respondents 49.4% are less than 200,000 kyats, 29.7% are between 200,001 kyats and 400,000 kyats, 13.3 % are between 400,001 kyats and 600,000 kyats, 3.8% are between 600,001 kyats and 800,000 kyats and more than 800,0001 kyats are 3.8%.

Table (4.7) Experience Years of the Respondents

Experience (Years)	Experience with current organization		Experience with current leader	
	Number of Respondents	Percentage	Number of Respondents	Percentage
< 1	37	23.4	64	40.5
1- 2	35	22.2	47	29.7
2 - 3	27	17.1	17	10.8
3 - 4	15	9.5	9	5.7
4 - 5	10	6.3	3	1.9
> 5	34	21.5	18	11.4
Total	158	100	158	100

Source: Survey Data (2018)

Table (4.7) shows as for experience years of the respondents, almost one fourth of the respondents are found having less than one-year service (23.4%), 1 to 2 years (22.2%) and 5 years & above (21.5%). 17.1 % of the respondents are 2 to 3 years experience, 9.5 % of the respondents are 3 to 4 years experience and 6.3 % of the respondents are 4 to 5 years experience. As the purpose of this survey is to find out the relationship of leadership style, employee commitment and job performance, the respondents were asked how many years they have worked for their leaders to find out the length of leader-follower relationship. This particular demographic characteristic can highlight whether the respondents' opinions and judgments on their leaders are likely to be accurate or not. Finding in table (4.7) reveals that 64 respondents

(40.5%) are working for less than one year. It also notes that 47 respondents (29.7%) are working for a period of between 1 to 2 years. The study also reveals that 17 respondents (10.8 %) are working for 2 to 3 years while 9 respondents (5.7%) are serving in the microfinance sector in period of 3 to 4 years. Further still, 3 respondents (1.9%) are working for 4 to 5 years and 18 respondents (11.4%) are working for 5 years and above. Therefore, it is finds out that more than half of the respondents were service with their leader more than one year. This is an indication of well experienced and highly skilled work force capable of making informed decisions based on their accumulated experience and good practices.

4.3. Employee Perception on Leadership Style

Leadership styles such as transformational leadership, transactional leadership and laissez-faire leadership has relation to employee commitment in the microfinance industry. In order to find out employee perception on leadership style, the latest version of the Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (1995) is given to the survey respondents. According to Bass and Avolio (1995), transformational leadership is a leadership style that strives to elevate the desires of individual followers for achievement and self - development, while also promoting the development of the group and organization. Transactional leadership based on an exchange process between leaders and followers. Laissez-faire leadership represents a style used by leaders who try to avoid responsibility and decision-making. Each set of statements dedicates to each leadership style of transformational leadership, transactional leadership and laissez-faire leadership style with the statements in each set.

According to Table (4.8), transformational leadership style has the highest mean scores because the respondents think that their leaders is the ability to inspire and strives to elevate the desires of individual followers for achievement and self–development. As microfinance is a service industry, leaders are trained to be service-minded. Being motivated to clients, colleagues and supervisees are some distinct characteristics of employees in the microfinance industry. Respondents strongly agree their leaders are visionary who inspires subordinates’ heart and minds therefore motivating them to enjoy their working environment. Once they have received enough organizational visions as their own through inspiration, line staffs, the so-called loan officers, are encouraged to use their own initiatives and make effective loan decisions.

According to overall mean score, it is found out transformational leadership stands out as the dominant style in the microfinance industry in Yangon.

Table (4.8) Employee Perception on Transformational Leadership Style

No	Transformational Leadership	Mean
1	Instill pride in me for being associated with him/her	4.39
2	Display a sense of power and confidence	4.47
3	Talk about his/her most important values and beliefs	4.13
4	Specify the importance of having a strong sense of purpose	4.53
5	Consider the moral and ethical consequences of decisions	4.58
6	Emphasize the importance of having a collective sense of mission	4.65
7	Talks optimistically about the future	4.49
8	Talks enthusiastically about what needs to be accomplished	4.53
9	Seeks different perspectives when solving problem	4.42
10	Spend time mentoring and coaching subordinates	4.34
11	Consider each person as having different needs, abilities and aspirations from others	4.32
12	Help each person in the team to develop their strengths	4.47
Overall Mean		4.44

Source: Survey Data (2018)

From Survey Data (2018) of table (4.9), transactional leadership has the second highest mean scores. Most of the respondents believe that their leaders make work behavior more instrumental to them to reach their own existing goals therefore increasing their productivity level. Being financial service providing firms, there are specific goals that employees must be achieved and focused their energies on task completion, compliance. The respondents strongly agree that their leaders' rewards or disciplines them depending on the adequacy of their performance. Moreover, they decide what and how shall be done to complete the tasks, assign them to particular tasks and maintain definite standards of performance. Clear guidelines such as loan discussion procedure, loan disbursement procedure, collection procedure and reporting procedure are given to employees to perform accordingly and systematically. Top level leaders

make long term goal settings while followers are required to achieve monthly targets and are given required support and guidelines to achieve those targets. According to overall mean score, it is found out that transactional leadership style is also dominant in the microfinance industry.

Table (4.9) Employee Perception on Transactional Leadership Style

No	Transactional Leadership	Mean
1	Express confidence the goals will be achieved	4.46
2	Suggest new ways of looking at how to complete assignments	4.53
3	Express satisfaction when expectations are met	4.42
4	Focus attention on irregularities, mistakes, exception and deviations from standards	4.51
5	Concentrate his/her full attention on dealing with complaints and failures	4.37
6	Fail to interfere until problems become serious	4.36
7	Wait for things to go wrong before taking action	3.47
Overall Mean		4.30

Source: Survey Data (2018)

According Table (4.10), Laissez Faire leadership has the least mean scores among the three types of leadership styles. Most of the respondents agree that their leaders give them complete freedom in decision making and problem solving. However, they didn't agree that their leaders lack control, directing and explanation to the followers. Microfinance activities are carried out by small teams which are monitored by branch managers, regional managers, and product or business line managers respectively. Therefore, close supervision and step by step monitoring is heavily practiced. The respondents also disagreed that their leaders avoid decision making and getting involved when issues arise, delay responding to urgent questions and wait for things to go wrong before taking action. Step by step reporting and monitoring procedures enable leaders to give immediate feedback and suggest corrective actions to the followers on a timely basis. According to the overall mean score, it is found out that Laissez Faire leadership style is not dominant in the microfinance industry.

Table (4.10) Employee Perception on Laissez Faire Leadership Style

No	Laissez Faire Leadership	Mean
1	Avoiding to get involved during important issues	1.97
2	Freedom in decision making and problem solving	1.90
3	Delaying to respond to urgent questions	1.90
4	Lacking control, direction and explanation	1.89
5	Avoiding from goal setting and decision making	1.98
6	Freedom in setting own goals and performance	1.99
7	Failing to interfere until problems become serious	1.78
Overall Mean		1.91

Source: Survey Data (2018)

4.4 Organizational Commitment of Employees

Organizational commitment of employee was measured using organizational commitment questionnaire (OCQ) developed by Porter and his associates in 1974. It was designed to measure the relative strength of an individual's identification with and involvement in a particular organization. Employee commitment scale with 13 items, used to measure employee commitment to the organization, highlighted the dimensions of loyalty to the organization, supervisor, dedication, oneness with the organization, alignment with the employment brand and internalization of organizational values. The commitment model was modified into a five-component scale to facilitate coding and data interpretation, as follows: 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree) and 5 (strongly agree). The results are shown in Table (4.11) based on survey findings.

According to Table (4.11), the mean value for organizational commitment of employee is high and overall mean is 4.42 showing that the respondents are very committed to the organization. This implies that there is a high emotional attachment, belief and willingness to remain in the organization. Employees take pride that they are working at those highly acknowledged organizations. Respondents feel that they are personally attached to their organization and they think that working at their organization has much personal meaning to them. Most of the employees who are currently working at MFIs have humanitarian mind. Those

employees believe that their organization has the same goal with them. At one hand, employees get income by working at the organization. On the other hand, employees believe that they are doing good deeds helping their community. That believe gives them a lot of personal meaning to them to work at their organization. As a result, those employees feel that they are personally attached to their organization.

Table (4.11) Organizational Commitment of Employees

No	Organizational Commitment of Employees	Mean
1	Willing to put a great deal of effort beyond that normally expected in order to help this organization be successful.	4.51
2	Talk high about this organization to my friends as a great organization to work for.	4.33
3	Loyalty to the organization.	4.59
4	Accept almost any type of job assignment in order to keep working for this organization.	4.42
5	Discover that my values and organization's values are very similar.	3.97
6	Proud to tell others that I am part of this organization.	4.15
7	This organization really inspires the very best in me in the way of job performance.	4.16
8	It would take very little changes in my present circumstances to cause me to leave this organization.	4.05
9	I am extremely glad that I choose this organization to work for over others, I was considering at the time I joined.	4.32
10	Easy to agree with this organizations policies on important matters relating to its Employees	4.25
11	Care about the fate of this organization.	4.47
12	Accept that the best organizations for which to work.	4.23
13	Deciding to work for this organization was a right decision on my part.	4.26
Overall Mean		4.28

Source: Survey Data (2018)

4.5 Employee Job Performance

Employee commitment have related on employee's job performance. In order to find out employee's job performance, structured questionnaire is given to the survey respondents. The questionnaire includes 14 statements and each statement seeks answer on how far the respondents agree or disagree with the statements. According to Table (4.12), employee's job performance has high mean scores. The respondents strongly agree that they attend to work and meeting on time and complete their work according to the deadlines. Respondents believe that they take appropriate action on problems as necessary. In each department, leaders and subordinates discuss their tasks to complete on daily and weekly basis. If problems and difficulties are found, solutions and appropriate actions are discussed during meetings. To perform their jobs, respondents prioritize their tasks appropriately and use their time effectively. If necessary, respondents consult with their supervisors and co-workers.

Table (4.12) Employee Job Performance

Sr. No	Job Performance	Mean
1	Arriving to work and meeting on time.	4.63
2	Meeting the deadlines.	4.59
3	Taking appropriate action on problems as necessary.	4.54
4	Setting appropriate priorities for tasks to complete.	4.67
5	Using time effectively.	4.58
6	Consulting with supervisors and co-workers.	4.71
7	Working without supervision.	3.89
8	Demonstrating effective team membership	4.54
9	Collaborating with other department members	4.42
10	Demonstrating initiative as appropriate.	4.16
11	Effective interaction with internal and external clients.	4.06
12	Dealing appropriately with confidential information.	4.50
13	Dealing appropriately with sensitive information.	4.56

14	Managing information and data effectively.	4.53
Overall Mean		4.45

Source: Survey Data (2018)

Most of the respondents believe that they effectively collaborate with other department members. They deal appropriately with confidential information and manage information and data effectively. To be able to perform their tasks, their leaders give them related training to apply in their job and do coaching as necessary. Some respondents moderately believe that they work without supervision as necessary, and demonstrate themselves as effective team members and initiate appropriately. Respondents fairly believe that they demonstrate appropriate interactions with internal and external clients and deal appropriately with sensitive information. Thus, in collaboration, interaction, initiation and management skills, it is found out that most respondents need more confidence to work without supervision, to be more initiative and to improve interaction and collaboration skills. According to the overall mean score, it is found out that employee job performance was well existing in the microfinance industry in Yangon.

4.6 Relationship between Leadership Style and Employee Commitment

In this study, the relationship between leadership style and employee commitment in microfinance industry has been surveyed. The employee commitment questionnaire consists of 13 items, and each item was measured on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The percentage and mean scores of leadership styles and employee commitment are presented in the study based on findings.

Independent variables (transformational leadership, transactional leadership and Laissez-Faire Leadership) and dependent variables (employee commitment) is used. Table (4.13) shows the relationship of leadership style and employee commitment.

Table (4.13) provides the results of relationship between transformational leadership, transactional leadership and laissez-faire leadership and organizational commitment of employees. A fairly positive correlation was found between transformational leadership style and

employee commitment ($r=0.617$; $p<0.001$). Also, a fairly positive correlation was found between transactional leadership style and employee commitment ($r= 0.528$; $p<0.001$). On the other hand, it was negative correlation between laissez-faire leadership style and employee commitment ($r=-0.178$). This implies that the perceived transformational leadership style and transactional leadership used by leaders or supervisors directly relationship to the employee commitment.

Table (4.13) Relationship between Leadership Style and Employee Commitment

Correlations	Transformational Leadership	Transactional Leadership	Laissez-Faire Leadership
Commitment	.617** .000 158	.528** .000 158	-.178* .025 158

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

* Correlation is significant at the level 0.05 level (2-tailed)

Source: Questionnaire Result

In summary, the results show that some factors have significant value (.000) and the main determination of employee commitment to be the transformational leadership factors. Employee commitment in the microfinance industry in Yangon is fairly related by transformational leadership factors.

4.7 Relationship between Employee Commitment and Job Performance

Finally, relationship between employee commitment and job performance in the microfinance industry is analyzed. Correlation analysis was used to find out the relationship between independent variables (Employee Commitment) and dependent variable (Job Performance). The results are shown in Table (4.14) based on survey findings.

**Table (4.14) Relationship between Employee Commitment and
Job Performance**

	Employee Commitment
Job Performance	.678** .000 158

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

Source: Survey Data (2018)

Table (4.14) provides the results of relationship between employee commitment and job performance. A fairly positive correlation finds between employee commitment and job performance ($r=0.678$; $p<0.001$). This implies that perceived employee commitment directly related to job performance.

In summary, the results shown significant value and the main determination of employee's job performance was found to be the commitment factors. Employee's job performance in the microfinance industry in Yangon was related by employee commitment factors.

CHAPTER (5)

CONCLUSION

This chapter presents the summary and discussion on the findings of this study as well as explanations and importance to related literature. This chapter examines the relationship between leadership style and employee commitment, the conclusion and the recommendations sections for further research are also presented.

5.1 Findings and Discussions

Microfinance industry exists in an intensely competitive market as new microfinance firms are entering one after another. Compared to the first few years microfinance companies started operating in Myanmar, bargaining power of clients is getting huge year after year. Especially in Yangon, microfinance firms have entered most of the townships to meet the needs of low-income families and to increase the number of active borrowers. As a result, clients have so many choices from which firms they should borrow loans. From the side of microfinance firms, bargaining power of clients creates some difficulties. It can reduce their loan outstanding and loan portfolio as the number of active borrowers is one of the key indicators for the success of microfinance institutions. From the side of employees, bargaining power of borrowers reduces their monthly targets and incentives and decreases employees' motivation. Moreover, entrance of new microfinance firms creates job opportunities and challenges the existing firms to maintain their employees. In these circumstances, leadership effectiveness to persuade and motivate their followers, existence of committed workforce and employees' outstanding job performance has become critical points to consider.

This study investigates the relationship between leadership style and employee commitment, job performance of micro-finance institutions in Yangon. It finds that different microfinance institutions have different leadership styles. It also finds that transformational leadership style, in which employees are allowed to have sense of belonging, carry out higher responsibility with little supervisions, and followers are helped to achieve their visions and needs

enhance organizational efficiency, have a more positive impact on the productivity of the Microfinance Institutions. Transactional leadership style also finds to have a positive relation on Microfinance Institutions performance although limited. However, Laissez-Faire leadership practices haven't positive relation on commitment of employees in the microfinance industry in Yangon.

According to the survey findings regarding employee's job performance, it is found out that employees have very good job performance in the microfinance industry in Yangon. Key performance indicators of employees are arriving to work on time, meeting the deadlines of targeted tasks, taking appropriate actions when problems are found, setting priorities on tasks to complete appropriately, using time effectively, working with supervisors and colleagues as necessary, collaborating effectively with cross departments and dealing with information and data appropriately and effectively. According to the results, employee commitment has the positive relation on job performance of employees in the microfinance industry in Yangon.

It can be concluded from the results that microfinance institutions create an environment conducive for transformational leadership. This will ensure that employee turnover is low, enhances employees grow to love their work. Microfinance Institutions should also look into ways on how to enhance positive leadership that will enable departmental performance move from moderate to best performance.

5.2 Suggestions and Recommendations

Based on the findings mentioned above, microfinance firms in Yangon should focus their transformational leadership practices on employee group who are aged between 26 to 35 years old because this age group comprises more than half of the overall workforce in the industry. The fact that about one third of the respondents have less than one-year service suggests that leaders of MFI should practice their effective leadership style more on those employees who have worked less than one year to maintain committed employees. Otherwise, if those employees reduce trust in their leaders' leadership practices, it would be difficult for the firms in the industry to reduce turnover and maintain committed workforce and outstanding job performance.

Based on the findings of the study, the following recommendations states that: microfinance institutions should use continuous practices of transformational leadership style to

maintain high employee commitment and performance of their firms. Leaders of microfinance firms should have visionary like inspires people's heart and minds so that employees are enjoys their working environment. Moreover, leaders should trust subordinates in exercising good judgments. Leaders should also listen to suggestions of followers and take them into action. Most importantly, leaders should be friendly, approachable and fair and square to subordinates.

Regarding transactional leadership style, leaders should also practice transactional leaders make work behavior more instrumental to followers to reach their own existing goals while concurrently contributing to the goals of the organization therefore increasing their productivity levels.

To sum up, transformational and transactional leadership styles should be practiced continuously to develop high commitment of employees who have strong sense of personal meaning, belongingness and loyalty to the organization. Especially, leaders of MFIs should practice transformational leadership style to facilitate arising characteristics of punctuality, productivity, collaboration, negotiation and task management skills within the employees. By practicing transformational leadership style, leaders develop mutual understanding and mutual respect among leaders, followers and colleagues. Likely, by practicing transactional leadership style, leaders continue to ensure the subordinates to understand their roles maintain definite standards of performance and make effective decisions for the good of entire firm or industry. In short, transformational leadership and transactional leadership styles enhance employee commitment and job performance in the microfinance industry for their long-term success.

5.3 Needs for Further Research

This study only focuses to analyze on three types of leadership styles; Transformational, Transactional and Laissez-Faire leadership styles of microfinance industry in Yangon. This study emphasizes on employees' perception on leadership styles, employee commitment and job performance in the microfinance industry. However, this study does not cover other leadership styles such as Democratic leadership style and Autocratic leadership style.

If further studies on the other leadership styles such as Democratic leadership and Autocratic leadership styles are made, it will be more beneficial for MFIs in Yangon to find out which leadership style is the best to practice. Finally, it is very worthwhile to do further research

on the factors affecting the employee commitment and job performance in the microfinance industry in the whole nation, Myanmar.

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Appendix
The Effect of Leadership Styles on Employee Commitment in Microfinance Industry
in Yangon
Survey Questionnaire

PART-A

Respondent's Profile

This part contains statements concerning general information about the participant. Completion of this information is voluntary and its confidentiality is assured. No individual data will be reported. THANK YOU!

(1) Gender

Male

Female

(2) Age

< 25 years

26-35 years

36-45 Years

46-55 Years

> 55 Years

(3) Education

Under Graduate

Bachelor's Degree

Master's Degree

Higher than Master's Degree

(4) Marital Status:

Married

Single

(5) Occupational status

- Operational Staff
- Middle manager
- Senior Manager
- Senior Executive

(6) Monthly gross salary (MMK)

- $\leq 200,000$
- 200,001 – 400,000
- 400,001 - 600,000
- 600,001 - 800,000
- $\geq 800,001$

(7) Experience with current organization (Year)

- < 1
- 1- 2
- 2 - 3
- 3- 4
- 4 - 5
- > 5

(8) Experience with current leader (Year)

- < 1
- 1 - 2
- 2 - 3
- 3 - 4
- 4 - 5
-

> 5

PART-B

Leadership Styles

This questionnaire is to describe the leadership style of your Head of Function (or the person you report to), as you perceive/observe it. Please answer all items on this sheet.

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

Transformational Leadership

		1	2	3	4	5
9	Instill pride in me for being associated with him/her					
10	Display a sense of power and confidence					
11	Talk about his/her most important values and beliefs					
12	Specify the importance of having a strong sense of purpose					
13	Consider the moral and ethical consequences of decisions					
14	Emphasize the importance of having a collective sense of mission					
15	Talks optimistically about the future					
16	Talks enthusiastically about what needs to be accomplished					
17	Seeks different perspectives when solving problem					
18	Spend time mentoring and coaching subordinates					
19	Consider each person as having different needs, abilities and aspirations from others					
20	Help each person in the team to develop their strengths					

Transitional Leadership

		1	2	3	4	5
21	Express confidence the goals will be achieved					
22	Suggest new ways of looking at how to complete assignments					
23	Express satisfaction when expectations are met					
24	Focus attention on irregularities, mistakes, exception and deviations from standards					
25	Concentrate his/her full attention on dealing with complaints and failures					
26	Fail to interfere until problems become serious					
27	Wait for things to go wrong before taking action					

Laissez-Faire Leadership

		1	2	3	4	5
28	Avoiding to get involved during important issues					
29	Freedom in decision making and problem solving					
30	Delaying to respond to urgent questions					
31	Lacking control, direction and explanation					
32	Avoiding from goal setting and decision making					
33	Freedom in setting own goals and performance					
34	Failing to interfere until problems become serious					

PART- C

Employee Commitment Questionnaire

The following statements concern how you feel about the department / function where you work. Please indicate the extent of your agreement or disagreement with each statement by remarking a number from 1 to 5.

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

		1	2	3	4	5
31	I am willing to put a great deal of effort beyond that normally expected in order to help this organization be successful.					
32	I talk high about this organization to my friends as a great organization to work for.					
33	I feel loyalty to this organization					
34	I would accept almost any type of job assignment in order to keep working for this organization.					
35	I find that my values and organization's values are very similar.					
36	I am proud to tell others that I am part of this organization.					
37	This organization really inspires the very best in me in the way of job performance					
38	It would take very little changes in my present circumstances to cause me to leave this organization					
39	I am extremely glad that I choose this organization to work for over others, I was considering at the time I					

	joined.					
40	I find it easy to agree with this organization 's policies on important matters relating to its Employees					
41	I really care about the fate of this organization.					
42	For me, this is the best of all possible organizations for which to work.					
43	Deciding to work for this organization was a right decision on my part.					

PART D

Performance outcome

The following statements concern the performance of your working. Please indicate the extent of your agreement or disagreement with each statement by remarking a number from 1 to 5.

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

		1	2	3	4	5
44	I arrive to work and meeting on time.					
45	I meet the deadlines of my work to complete.					
46	I take appropriate action on problems as necessary.					
47	I set appropriate priorities for tasks to complete.					
48	I use time effectively.					
49	I consult with supervisors and co-workers as necessary.					
50	I work without supervision as necessary.					
51	I demonstrate effective team membership					
52	I effectively collaborate with other department members as necessary.					

53	I demonstrate initiative as appropriate.					
54	I demonstrate appropriate interactions with internal and external clients.					
55	I deal appropriately with confidential information.					
56	I deal appropriately with sensitive information.					
57	I manage information and data effectively.					

APPENDIX (2)

Table (3.1) Profile of Selected Microfinance Firms

Company Name	Background / Type of Microfinance Institutions	Year of Foundation in Myanmar	Products and/or Services	Key Facts about the Company
Brac Myanmar	-NGO based in Bangladesh	- Founded in 2017	-Diversified and context-based products in microfinance programme (e.g the small enterprise program, project to provide loans to 1,080 people with disabilities)	- Loan amount disbursed: USD 29 million as loans - 41 branch offices across 36 townships
Brighter Future Foundation Myanmar	- NGO	- Founded by KBZ Group in 2008	- The foundation is to uplift the lives of the underdeveloped community members at the grass roots level and to eradicate poverty in the long run through its social initiative projects in five important	-invested a total of 63 billion MMK in donations and social initiative projects.

			sectors; Disaster Relief and Recovery, Women's Empowerment and Health , Green Government , Youth Development and Education Enhancement and Community Development and Engagement.	
KB Microfinance Myanmar	- 100 percent ownership by KB Kookmin Bank, Korea -Established as a subsidiary of KB Kookmin Bank	-Founded in 2017 March	- Provide housing improvement and new construction funds to the low-income class with poor residential environments -expanded its sales network to the administrative capital, Naypyidaw, and the second largest economic center, Mandalay and Magway.	- KBFG has 13 affiliated companies and 25 international networks world-wide under its umbrella - The parent company, KB Kookmin Bank, is the front-runner in the areas of housing finance, SME financing and investment banking serving about 57% of the Korea population

<p>Woori Finance Myanmar</p>	<p>- a subsidiary of Woori Bank from the Republic of Korea</p>	<p>-started micro finance services in November 2015</p>	<p>- provide loans to grassroots people to improve their living standard , and encourage to start small enterprise loan .</p>	<p>- business expansion in Yangon, Naypyidaw, Bago and Ayeyarwady region.</p>
<p>Sathapana Limited</p>	<p>- The name “SATHAPANA ” derived from SATHAPANA Bank Plc, one of the leading bank in Cambodia, born out of the merger between a Maruhan Japan Bank Plc. and microfinance institution SATHAPANA Limited , Cambodia. The word “ SATHAPANA” means “ to build</p>	<p>- founded in January 2015 by MARUHAN Investment Asia Pte.Ltd</p>	<p>- provides reliable and affordable financial services like agriculture loan , business loan and consumption loan to clients with 15 Million US Dollars authorized capital in FY 2017-2018 . - 4.8 billion Kyats of deposits outstanding and 58 billion kyats of Total Loans Outstanding .</p>	<p>-began its microfinance operations in August 2015 with four branches in Yangon , Bago , Mandalay and Ayeyarwady regions. Currently , business expands 32 offices operatizing in 9 regions. - over the past two years , it has made a remarkable growth in human capacity and financial capabilities and rank in top two microfinance institutions in term of Loan Portfolio at the end of FY 2017-2018 .</p>

	or to construct”.			
Fullerton Finance Myanmar	- Operates as a subsidiary of Fullerton Financial Holdings Pte. Ltd	-founded in 2014	- Offers group loans, individual loans, deposit schemes - Provides financing solutions to the micro-SMEs customers to fund their businesses in rural and urban areas	- Shareholders: Fullerton Financial Holdings Pte. Ltd. (FFH), Capital Diamond Star Group (“CDSG”), International Finance Corporation (IFC) a member of World Bank Group
Pact Global Microfinance Fund	-Works in nearly 40 countries in Africa, Asia, Europe and the America	Founded in 2012 in Myanmar	- Loans for family farming, helping to increase yields and get products to market	-Serving more than 640,000 households - Loans are provided for family farming, helping to increase yields and get products to market - 99 percent of them are women in more than 9,000 villages - Plans to enroll nearly 175,000 new borrowers in next three years

INNO Capital	Operates as a subsidiary of Inno Capital Group	- founded in March 2017	- Offers group loans, individual loans and others saving products to basic people and micro business owners.	- Operate microfinance business in Yangon Division and Mon State.
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Source: Website (2018)