YANGON UNIVERSITY OF ECONOMICS
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CREDIT RISK MANAGEMENT ON LOAN PERFORMANCE OF GLOBAL TREASURE BANK

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CREDIT RISK MANAGEMENT ON LOAN PERFORMANCE OF GLOBAL TREASURE BANK

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ABSTRACT

The thesis was focused on the study of loan on credit risk management practices in GTB Bank and its effect. Two major objectives of the study are to identify the credit risk management practices on Loan in GTB Bank and to examine the effect of loan performance on credit risk management practices in GTB Bank. Credit risk is the possibility of loss to the lender on nonperforming loans Financial practice as well as theory provides a scientific process of credit risk management in financial institutions. However, lenders still face loan default and consequently this study sought to find out how those practices affect the roan performance of in GTB Bank. This research used both primary data and secondary data .The primary data collected by face to face data collection method. Survey was conducted by using structured questionnaires and used descriptive analysis. The data is analyzed by using Google form to obtain data. The questionnaires have been distributed to 113 respondents from credit functions of GTB Bank. GTB Bank aware that credit risk management is the most important contribute to the success and the financial stability of the bank and an understanding of risk management practices help reduce the losses and also cost. This study that the loans are provided to business for all economic and individual persons that have fulfilled the requirement for issue of loans. In all banks, initial screening is done by credit risk officer and approval done at different levels depending on the amount. Majority of the banks check post borrowing activities of the borrower. In conclusion, credit risk management as an effect on loan performance in GTB Bank.

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LISTS OF ABBREVIATIONS

AGM	=	Assistant General Manager
CTR	=	Cash Transaction Report
DGM	=	Deputy General Manager
FATF	=	Financial Action Task Force
GTB	=	Global Treasure Bank
STR	=	Suspicious Transaction Report

CHAPTER (1)
INTRODUCTION

Risk is a situation involving exposure to danger. In financial sector the probability that an actual return on an investment will be lower than the expected return. Financial risk is divided into the following categories: Basic risk, Capital risk, Country risk, Default risk, Delivery risk, Economic risk, Exchange rate risk, Interest rate risk, Liquidity risk, Operations risk, Payment system risk, Political risk, Refinancing risk, Reinvestment risk, Settlement risk, Sovereign risk, and underwriting risk. Risk management is the forecasting and evaluation of financial risks together with the identification of procedures to avoid or minimize their impact. Risk management is the process of identifying, assessing and controlling threats to an organization's capital and earnings. These threats, or risks, could stem from a wide variety of sources, including financial uncertainty, legal liabilities, strategic management errors, accidents and natural disasters. The risk management strategies to alleviate them have become a top priority for companies. As a result, a risk management plan increasingly includes companies processes for identifying and controlling threats to its digital assets, including proprietary corporate data" a customer's personally identifiable information and intellectual property. Risk management is important in an organization because without it, a firm cannot possibly define its objectives for the future. Also, the risk management team is responsible for assessing each risk and determining which of them are critical for the business.

Credit risk measurement involves the process of credit rating, scoring. Credit Rating is an account is done with primary objective being to determine whether the account after the expiry of a given period of time would remain a performing asset, i.e. it will continue to meet its obligations as and when they arise. The credit rating exercise seeks to predict whether the borrower will have the capability to honor his or her financial commitments in future. In reality, there are no mathematical models that can predict accurately the future capability of a borrower to meet his/her financial obligations.

Next, a commercial bank should undertake credit monitoring. The financial institution should assign specific individuals for monitoring the credit portfolio including ensuring information is disseminated to those responsible for taking corrective action and assigning adequate reserves for loan losses. An effective monitoring system will ensure that the financial institution understands the current financial condition of the borrower, monitors compliance with the existing terms and conditions, assesses collateral in relation to the borrower's current condition, identifies non-performing accounts and enforces proper classification and loan loss provisioning. Lastly, institutions should use various techniques of mitigating credit - risk. The most common are collaterals, guarantees and netting off of loans against deposits of the same counter-party.

The nature of banking is strongly related to the management and controls of the risks. The main risks to which banks are subject, namely credit risk, market risk and operational risk. Among the types of banking risks, credit risk is the biggest threat that the banks have to present. In order to prevent the credit risk, the bank will use many credit risk managements. Credit risk management is the important aspect of a bank's success and ensures that a lending institution will not take on more risks than it can handle.

1.1 Rationale of the Study

Credit risk is a depositor risk of loss arising from a borrower who does not make payments as promised. Such an event is called a default risk the central theme of this report is the impact of credit risk management and performance. Investor losses include lost principal and interest, decreased cash flow, and increased collection costs, which arise in a number of circumstances consumer does not make a payment due on a mortgage loan Banks also may offer investment and insurance products and wide whole range of other financial services which they were once prohibited from selling. Credit creation is the main income generating activity for the banks. But this activity involves huge risks to both the lender and the borrower. On the other hand, a bank with high credit risk has high bankruptcy risk that puts the depositors in threat. Among the risk that face banks, credit risk is one of great concern to most bank authorities and banking regulators. This is because credit risk is that risk that can easily and most likely prompts bank failure. The present possibility for banks to diversify to broader range of services and products make life really cool for banking entrepreneurs and managers. But this diversification advantage is a once a life time opportunity that should be consumed with some caution and prudence as this involves a great deal of risk. In the process of providing financial services, they assume various kinds of financial risks. Risk is always bad is a false assumption and can misleading the way people deal with risks.

Now a day, so many banks organized and performed to protect the risks as risk management committee, risk department. By the risk protecting and the risk supervision, banks reduce their losses. Therefore, credit risk management is essentially more important to be prevented in the banking sector than any other part of economy. So banks need credit risk management to perform their all operation with internal control and internal check by senior management. The success of banks is resulted from its effective and systematic to the credit risk management practices. Therefore, this study focus to explore the Credit Risk Management System and to analyze the Performance of Credit Risk Management in Global Treasure Bank.

1.2 Objectives of the Study

The objectives of the study are:

(1) To identify the credit risk management practices on Loans in Global Treasure Bank.

(2) To analyze the effect of credit risk management on loan performance in Global Treasure Bank.

1.3 Scope and Methods of the Study

The descriptive research method is apply only focus on credit risk management in Global Treasure Bank. Primary data is collected from Executive Director, Risk Management Committee, Risk Manager, branch manager and supervisors of Global Treasure Bank by conducting in-depth personal interview and general field observation, It includes the use of predetermined questionnaires to 113 numbers of employees, 48% among total 338 employees who are working at loan & credit functions in GTB Bank. Secondary data is collected from profile and previous record of Global Treasure Bank, Internet websites and other relevant texts. This study focuses on risk management system of Global Treasure Bank and the practices of risk management functions are only be concerned.

1.4 Organization of the Study

This study is organized into five chapters. Chapter 1 is the introduction that will provide the detail of the study background, rationale, objectives, scope and method and organization of the study. Chapter 2 describes the theoretical background of the credit risk management practices. Chapter 3 involves the background history of GTB Bank. Chapter 4 consists of analysis of credit risk management practices in GTB Bank. Chapter 5 deals with the summary of findings, recommendation of the study and limitation and need for further research.

CHAPTER (2)
THEORETICAL BACKGROUND

This chapter intends to describe theoretical background of the study. In order to study and understand the term of "risk management", especially in case of banking, nature of credit and credit risk has to be defined first. Theories about financial risk, sources of credit risk, important of credit risk management and how to manage the credit risks in the banking industry from theoretical background to specific conceptual framework are presented.

2.1 The Nature of Credit and Credit Risk

Banking system is an important segment of the economy of a country and its sound financial health is a prerequisite to ensure economic stability. Banks facilitate the establishment of new industries that results in raising the employment level and economic growth. However, most of the banking business activities entail significant financial risks. The banks must follow a prudent approach while performing their risk weighted operations in order to sustain competitiveness and survival. The banks may be exposed to different kinds of risk because of volatile economic environment including market risk, interest rate risk, liquidity risk, operational risk and credit risk. The events leading to different risks affect the businesses.

The most crucial risk is credit risk in banking system. Although the banks are involved in a varied nature of business, their major focus remains on credit operations. This diversified nature of banking operations makes credit risk that may negatively affect the banks' profitability. Credit risk arises from mainly lending operations in the banking system. Credit risk's intensity of losses threatens the bank's growth. Credit risk becomes a burning issue that gives attention of practitioners, academicians and regulatory bodies.

The credit risk must be mitigated through different risk mitigation techniques. But the banks must accept the risk that is essential for banking operations. Thus the managing credit risk must be specialized. As the risk management has become an integral part of the commercial banks, the Credit Committee has to perform risk management activities. This Committee hires the risk managers who monitor banking operations to manage the risk that threatens the stability of the banking system. Most of the banks have suffered huge losses in their credit operations that resulted in large scale failures of the banking system. This crisis has given the concentration on the stability of the financial system as well as the requirement of closer supervision for credit operations. Although the loans are mainly the source of income in banking system, these loans entail the brunt of credit risk. The credit operations may give effect on the stability of the bank, unless the credit risk can be managed properly. The study is to evaluate the impact of credit risk for the growth of banking system. The aim of this study is to develop a thoughtful understanding about credit risk for the growth of the banking system and to increase the credit portfolio. The main requirements for 6sngslling over Credit Risks at a senior management level are needed to understand. And also, it is needed to monitor both the banking sector and an individual bank's credit exposure to be able to protect depositors' interests and to prevent the situations that may put a banking system at risk. The significance of the study can only be understood when we realize the severity of business losses. This research identifies the key areas which may expose the banks to the threatening level.

2.2 Important of Credit Risk Management in Banking System

In both the developing and the developed economies, the multiple issues resulting from lending operation have been faced. As the credit risk management system helps to stabilize the bank it helps to increase the profitability and accelerating for the growth banking system. The hearted-thing of survival for the great majority of the banks is the management of Credit Risk The credit risk management is needed to strengthen the rapidly growth of the banking system.

The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions. Banks should also consider the relationships between credit risk and other risks. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization.

Thus Credit Risk Management functions must be focused based on loan portfolio such as lending and operating function, Credit Risk Management policies, non-performing loan portfolio, and so on. Credit risk management has been an area of interest for many researchers who have focused on credit risk management as well as have investigated the impact of credit risk on banking productivity, profitability, efficiency and shareholders' value. Risk management is an important function in all banking system and it is more important in the financial sector as compared to any other segment of the economy. This study focuses on the credit risk because of the large scale credit operations of the banking system.

Credit risk management is a structured approach to managing uncertainties through risk assessment, developing strategies to manage it and mitigation of risk using managerial resources. The strategies include transferring to another party, avoiding the risk, reducing the negative effects of the risk and accepting some or all of the consequences of a particular risk. Lending has been and is still the mainstay of financial institutions and this is more to emerging economies of developing countries where capital markets are not well developed.

2.3 Credit Risk Management Practices in the Banking Industry

Over the recent years, the financial services sector has encountered challenges for several reasons, but many of those challenges can be linked to bad lending, poor risk management, or the lack of agility in adapting to changing economic scenarios. The process of risk management at any enterprise is aimed at developing preventative methods in order to avoid loss or events that would harm the company. Banking operations come with the factor of risk; it's inevitable. In the simplest way possible, risk is an uncertainty of a situation or event that may happen in the future and for banks, it's the uncertainty of an outcome of business investments.

The primary aim of credit risk management is to take calculated exposures within defined parameters so that the overall process optimizes the bank's risk-adjusted rate of return. Since vulnerability to credit continues to be the prime risk factor for the financial industry worldwide, banks should take special initiatives in strategizing comprehensive measures to identify, monitor, and control the inherent risks in lending as best as they can. The best practices outlined in this article address the issue of credit risk management are: (1) credit risk identification, (2) credit risk Measurement/Analysis, (3) credit risk Control/Mitigation and (4) credit risk Monitoring.

2.3.1 Credit Risk Identification Practices

Risk Identification is vital for effective risk management. For Commercial banks to manage credit risks facing them effectively, they need to know and identify these credit risks. The first step in credit risk identification is implementation of the credit risk management function to establish crucial observation areas inside and outside the corporation. (Christen and Pearce 2005). The use of Credit policies to establish the framework for lending and reflect an institution's credit culture and ethical standards. To be effective, policies must be communicated in a timely fashion, be implemented through all levels of the organization by appropriate procedures and revised periodically in light of changing circumstances.

2.3.2 Credit Risk Measurement/ Analysis Practices

The lending decision is based on an evaluation of the firm's financial position and its future prospects, in a process known as credit risk analysis. It consists in estimating the probability that a borrower fails to return its credit in accordance to the terms agreed (probability of default) and the expected loss that the bank would incur in case of default (loss given default). The process involves an estimation of the firm's future cash flow and of the value of the assets that could be provided as collateral or security for the credit in the event of default (Guimon 2005).

Financial Statement rule is a lending rule which places emphasis on evaluating information from the firm's financial Statements. The decision to lend and terms of the contract are principally based on the strengths of the firm's balances sheet. Financial statement lending is best suited for relatively transparent firms with certified audited financial statements. Thus, it is likely to be the rule of Choice for lending to large firms. But when adapting this rule for small firms, the firms must be ones with long histories, relatively transparent transactions and strong audited financial statements (Berger and Udell, 2001).

Credit-Scoring Rule involves attaching heavy statistical weights to the financial conditions and history of the principal owner given that the credit worthiness of the owner and that of the firm are closely related for most small businesses (Feldman 1997 , Mester 1997) SME credit scores usually include financial characteristics from both the business and the business owner. Credit scoring model is used to identify credit risks and mitigating factors, evaluating borrower viability and growth potential, assessing entrepreneurial capabilities, determining financing requirements and earnings for bank, monitoring loan performance risks in crisis situations, and structuring facilities based on credit score ratings. Scoring systems utilize information relating to the traditional 5Cs of credit:

Character is the maturity, honesty, trustworthiness, integrity, discipline Reliability and dependability of a customer. Character is no doubt the most important quality in a client. A person of good character will pay his debts whether it is secured or not. Such a person will disclose all the facts of his deal because his intentions are to seek guidance and help from the organization. When in problems such borrowers will adhere to the credit managers' request for alternative arrangements to pay his debt instead of hiding from the bank.

Secondly Capacity refers to a client's ability to service his debts fully. Even if he has good intentions but has no funds he will not be able to keep his loan repayment up to date. Capacity also refers to a client's record of performance. A client who has borrowed money from various institutions and paid regularly over long periods can be described as having experience of borrowing and paying. The client is disciplined and is likely to keep the good record. Occasionally credit managers come across clients who will tell them that they are good borrowers because this is their first loan. Unfortunately, one cannot say so because these clients are inexperienced.

Thirdly, they may require collateral to secure the loan. This is the security given to secure the loan in terms of assets e.g. Vehicles, land, motor vehicles etc. Collaterals for the SME business on Private Banks in Myanmar are Land and Building, Saving Passbook (Deposit), Gold and Jewelry.

Fourthly, Condition refers to the general economic environment or special conditions applying to the borrower of credit. ls the Commercial, socio-economic, technological and political environment conducive. Lastly Common sense this is the natural ability to make good judgment and behave in a practical and sensible way. Being prudent and reasonable in analyzing, presenting, using and interpreting financial data and other related business information. Additional Common sense is the reasonableness of the financial information provided to support the case for financing a project as an indication of the ability of the project to pay itself. While each of the above factors is important on their own right, they however should not be considered in isolation. While adverse record on each one is enough to reject an application, good reports on all aspects improve the probabilities of success. Therefore, these elements can be used individually or in combination, depending on the level of quality of credit appraisal required and the amount of credit involved. The credit scoring rule is meant to help financial institutions thoroughly evaluate and assess the credit worthiness of existing and potential customers before awarding them new or further credit and hence exposure of banks and the avoidance of nonperforming loans. The credit scoring rule covers the entire area of credit risk and hence its application in credit risk appraisal will ensure that banks and financial institutions protect their assets against loss (Abedi 2000).

Relationship Lending Rule applies where the lender bases the decision to lend substantial part on propriety Information about the firm and its owner through a variety in of 10 contacts over time. This Information is obtained through the provision of loans (Berger and Udell, 1995) and deposits and other financial products (Nakamura 1993).Additional information may also be gathered through other members of the local community, Such as suppliers and customers, who may give specific information about the firm owner or general information about the business environment in which they operate.

Importantly, the information gathered over time has significant value beyond the firms' financial statements, Collateral and credit scores. This information helps the relationship lender deal with information opacity better than potential transaction-based lenders. However, relationship lending involves the role of agents in gathering information and this could add extra costs to the banks. There is still a gap in the empirical literature as to how to determine how relationship lending works and how the organizational structure of the banks aids their ability to deliver. It is also necessary to determine how recent changes in the economic environment are likely to affect the availability of credit to small businesses.

2.3.3 Credit Risk Control/Mitigation Practices

Tools used to control credit risk include the use of Covenants, use of adequate collateral, Use of personal guarantors, use of savings /deposit accounts and also insurance against default. Continual participation in the credit risk management policy and strategies. Peer or group lending as commonly known, mitigates credit risk by evading the risk of lending without collateral, over a large number of borrowers within the group acts as insurance cover for the institution. Those members of the group who have not received the loans become agents of the bank in debt collection so that they can have access to their loans also. The Credit Officers work is transferred to the group which has to do overtime here, because they have interest. Group Savings may act as guarantee instead of formal collateral.

2.3.4. Credit Risk Monitoring Practices

Monitoring is the last step in the credit risk management process. Effective risk management requires reporting and reviewing the structure to ensure that risks are effectively identified assessed and appropriate controls and responses are in place. After the loan is approved, the loan should be continuously watched over. These include keeping track of borrower's compliance with credit terms, identifying early signs of irregularity, conducting periodic valuation of collateral and monitoring timely repayments.

Commercial bank need to regularly monitor the status of borrowers and re-evaluate individual credits and commitments, and their ratings. Reliance on unviewed credits can lead to a serious undetected deterioration of the credit portfolio. Accordingly, the credit risk management program of each institution must include procedures governing the regular formal review and, where applicable. Because of their frequent contact with borrowers, Credit officers are in a position to detect changes in a borrower's operations or financial condition. This permits these officers to identify potential problems before they may be discovered by independent credit reviewers.

Accordingly, credit review systems must ensure that a credit officer is monitoring credit quality and, where applicable. The objective of effective credit review systems include: ensuring that the institution is aware of borrowers current financial condition; ensuring that collateral security is adequate and enforceable relative to borrowers' current circumstances; ensuring that credits are in compliance with their covenants and margins; providing early identification and classification of potential problem credits; and providing current information regarding the quality of the loan portfolio.

2.4 Loan Performance

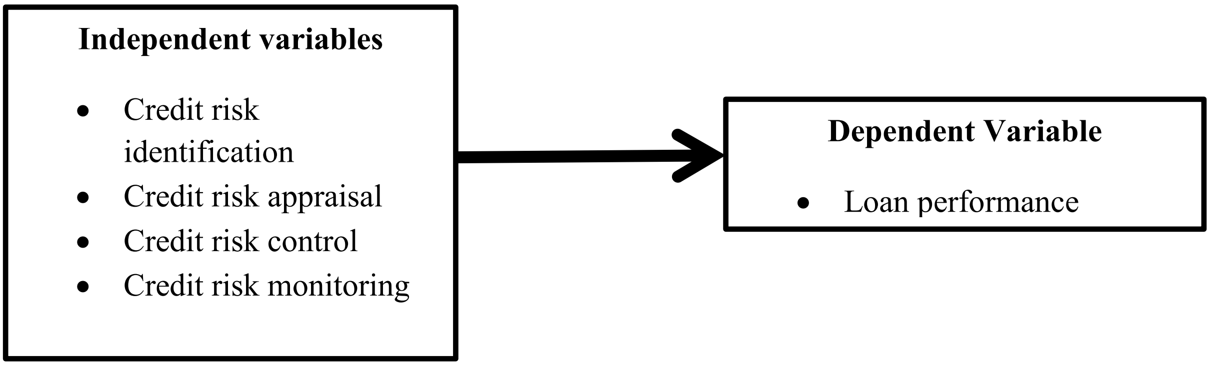
The main purpose of the study is to investigate the determinants of the LP and after going through the literature the four explanatory variables; credit terms, CP, CRC and client appraisal; have been taken into account and the directions of their influence on the performance of loan have been hypothesized. The findings of the study concluded that the credit term has significant positive impact on LP, client appraisal has positive and significant impact on the LP, CP and CRC are showing their positive and insignificant influence on the performance of the loan. These results are in line with the earlier findings as have been discussed in the literature. The results of the study are helpful for the management to focus on these explanatory variables used in the study so that the performance of the loan may be enhanced. Furthermore, the study is helpful to scrutinize the present credit practices of the banks situated in Pakistan. The study may be replicated by adding more dimensions of the credit management and by increasing the sample size and by taking more microfinance banks in to the investigation to further test the impact of studied variables on the performance of loan to add generalizability to the current findings. It is further suggested that the secondary data may also be incorporated in such studies to better explore the influence of credit management on LP from in that specific dimension.

2.5 Previous Study

Evelyn(2016) explore a significant positive relationship between credit risk identification and credit risk monitoring and financial performance of commercial banks. The study therefore concludes that credit risk identification and credit risk monitoring significantly affects financial performance of commercial banks in Kenya.

The study found a positive and insignificant relationship between credit risk appraisal and financial performance of commercial banks. However, the study recommends that credit risk has direct relationship with financial performance of commercial banks in Kenya, thus effective appraisal strategies enhances commercial bank’s financial performance. The study also found a negative insignificant relationship between credit risk control financial performance of commercial banks in Kenya. The study concludes that the usage of credit risk control practices negatively affects financial performance of commercial banks thus there is an inverse relationship between credit risk control financial performance of commercial banks in Kenya.

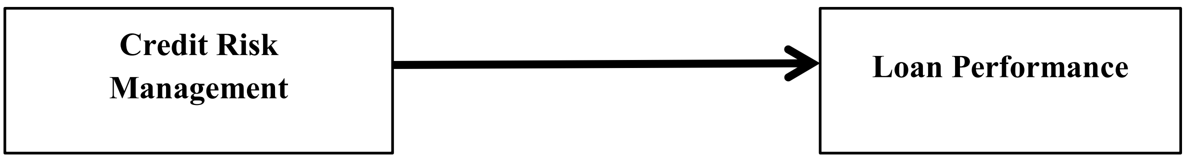
Figure 2.1 A Study on Effect of Risk Management Practices on Financial Performance of Commercial Banks in Kenya by Kauna Kaimuri Kvelyn



Source: Evelyn.K.K (November 2016)

Credit risk has always been a vicinity of concern not only to bankers but to all in the business world because the risks of a trading partner not fulfilling his obligations in full on due date can seriously danger the affairs of the other partner. A bank with high credit risk has high bankruptcy risk that puts the depositors in danger. Among the risk that face banks credit risk is one of great concern to most bank authorities and banking regulators. This is because credit risk is that risk that can easily and most likely prompts bank failure. For banks managing credit risk is not a simple task since comprehensive considerations and practices are needed for identifying, measuring, controlling and minimizing credit risk.

Figure 2.2 A Study on Credit Risk Management and Performance of Private Banks in Bangladesh by Mohammad Ashrf Ud Dowla



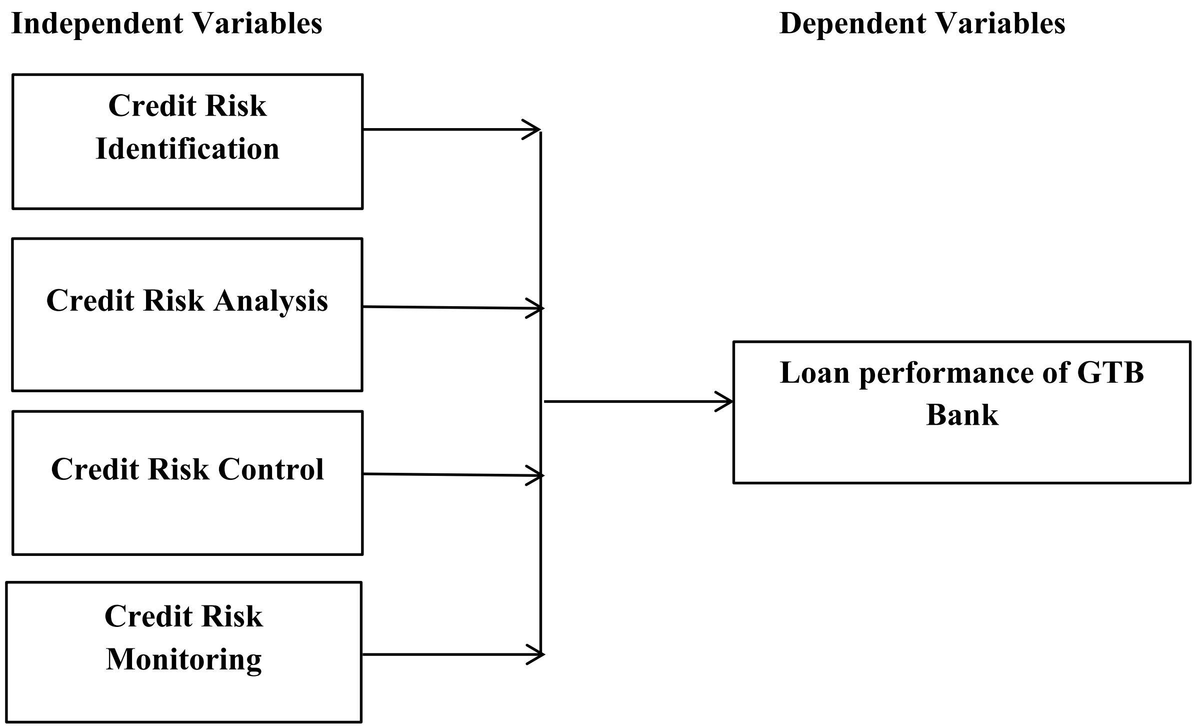
Source: Dowla.M.A(2017)

2.6 Conceptual Framework of the Study

The basic agreements were emanating from the paper with the title of effects of credit risk management practices on loan performance of commercial banks in Kenya. The independent variables and dependent variables were modified to match with tire objectives of the study and the practices of the risk management in GTB bank.

Figure 2.3 Conceptual Framework of the Study

Credit Risk Management Practices



Source: Adopted from Evelyn (2016)

The study determined the risk management practices based on the above conceptual framework: credit risk identification, risk analysis, risk control practices and risk monitoring practices as the independent variables. As the dependent variable: nonperforming loan on total portfolio. Then the study examined the credit risk management practices on performance of Loans in GTB Bank.

CHAPTER (3)
BACKGROUND STUDY OF GLOBAL TREASURE BANK

This chapter consists of discussion on general situation of Myanmar Banking Industry which is followed by the profile of the Global Treasure Bank Limited. The profile of the Global Treasure includes the background of the bank,, financial services provided by the bank, corporate objectives of the bank, mission, vision, corporate value and the Organization Structure of the bank.

3.1 The Profile of the Global Treasure Bank

The bank was incorporated on 15th February 1996 as Myanmar Livestock and Fisheries Development Bank. The bank changed its name to Global Treasure Bank (Public Company Limited) on 1ST July 2013, with the permission of the Ministry of National Planning and Economic Development, Directorate of Investment & Company Administration with its letter No.Yaka-8(Gange) 001/2013 (010995) dated 27-8-2013.

Global Treasure Bank Public Company Limited is a commercial bank, licensed by the Central Bank of Myanmar to operate the following businesses:

(a) receiving various kinds of deposit business;

(b) business of paying and collecting cash for cheques drawn by or paid in by person;

(c) providing credit facilities such as term loans, overdrafts, letters of credit, bank guarantees, import & export trade financing; and

(d) such other banking businesses as prescribed and approved by CBM under section 52 of Financial Institutions Law 2016.

Central Bank of Myanmar granted domestic banking license Mababa/ P-15 (2) 96, dated 15th February 1996. Money Changer License was granted on 24th October 2011 and Authorized Dealer License no. CBM-FEMD-94/2012 was granted on 24th August 2012 to operate in foreign banking services. Under Section 176 of 2016 Financial Institutions Law, CBM granted Commercial Banking Business License No. MaBaBa/Paba(R)-22/08/2016 on 18th August 2016.

3.2 Mission & Objective of Global Treasure Bank

As one of the leading banks in Myanmar, Global Treasure Bank is dedicated to providing efficient banking services and establishing a trustworthy, reliable and successful relationship with all stakeholders. Global Treasure Bank is committed to generating value for our customers.

The main objective of Global Treasure Bank is to provide sound financial assistance to entrepreneurs for development of all business sectors.

Global Treasure Bank has an authorized capital of 35 billion Kyats divided into 70,000 shares of 500,000 Kyats each, and all shares were issued to the public in July 2012.In 2013, authorized capital was increased to 70 billion Kyats when approval was granted by Central Bank of Myanmar, of which 52.177 billion Kyats were fully issued to the public during 2017-2018. Share value of 500,000 Kyats is split into to 10,000 Kyats that means original one share is equal to 50 shares each by Extra-ordinary General Meeting held on 11-6-2016. A total number of 927 shareholders existed as of 31-3-2018.

The maximum shareholding of a shareholder is limited to 5% of the authorized capital. Shareholders holding shares of value of at least 300 million Kyats are qualified for nomination as a member of Board of Directors of the bank.

In 2017-2018 financial indicators and financial ratios of the bank are as follows:

a.	Total Assets	762.1 B Kyats(570.86 M USD)
b.	Total Deposits	599.6 B Kyats(449.13 M USD)
c.	Total Loans	403 B Kyats(301.87 M USD)
d.	Equity	91.91 B Kyats(68.84 M USD)
e.	Total income	70.6 B Kyats(52.88 M USD)
f.	Net Profit	9.8 B Kyats (7.34 M USD)
g.	Dividend paid	6 percent per share
h.	Loan to deposit Ratio	67.22%
I.	Capital Adequacy Ratio	13.5%
j.	Liquidity Ratio	36.02%
k.	.NPL Ratio	35.31%

(Calculation were made Myanmar Notification17/2017 dated according to the Central Bank of Myanma7.6.2017)

l. Deposit to Share ratio 11.5 times

*(1 US$=1,335 Kyats as at 31-3-2018 CBM rate)

The bank plays a significant role in providing bank loans and financial assistance to most customers from fisheries, livestock, industrial, trade, transport, construction, services sectors and other sectors. GTB disbursed 4o3 billion Kyats as development loans to 27,721 clients at 13%o interest rate in 2017-18 financial year.

The disbursements of bank loans by sectors are as follows:

a. Livestock and Fisheries	142.49 B Kyats	35.35%
b. Industries	0.34 B Kyats	0.09%
c. Trade	104.87 B Kyats	26.02%
d. Transport	20.35 B Kyats	5.05%
e. Construction	18.51 B Kyats	4.59%
f. Services	39.27 B Kyats	9.74%
g. Others	77.23 B Kyats	19.16%
Total	403.06 B Kyats	100%

Global Treasure Bank branches network reached 156 branches across the country in 2017-2018. Our target is to have 200 branches by the end of 2018. The bank branches network in States and Regions are as follows;

	States & Region	Number of Bank Branches
a.	Nay Pyi Taw	6
b.	Yangon	36
c.	Mon	16
d.	Ayeyarwaddy	15
e.	Bago	14
f.	Mandalay	12
g.	Rakhine	14
h.	Shan	7
i.	Sagaing	12
j.	Magway	12
k.	Tanintharyi	7
l.	Kayin	4
m.	Kayar	1
	Total	156(147 Full Branches plus 9 Mini-branches)

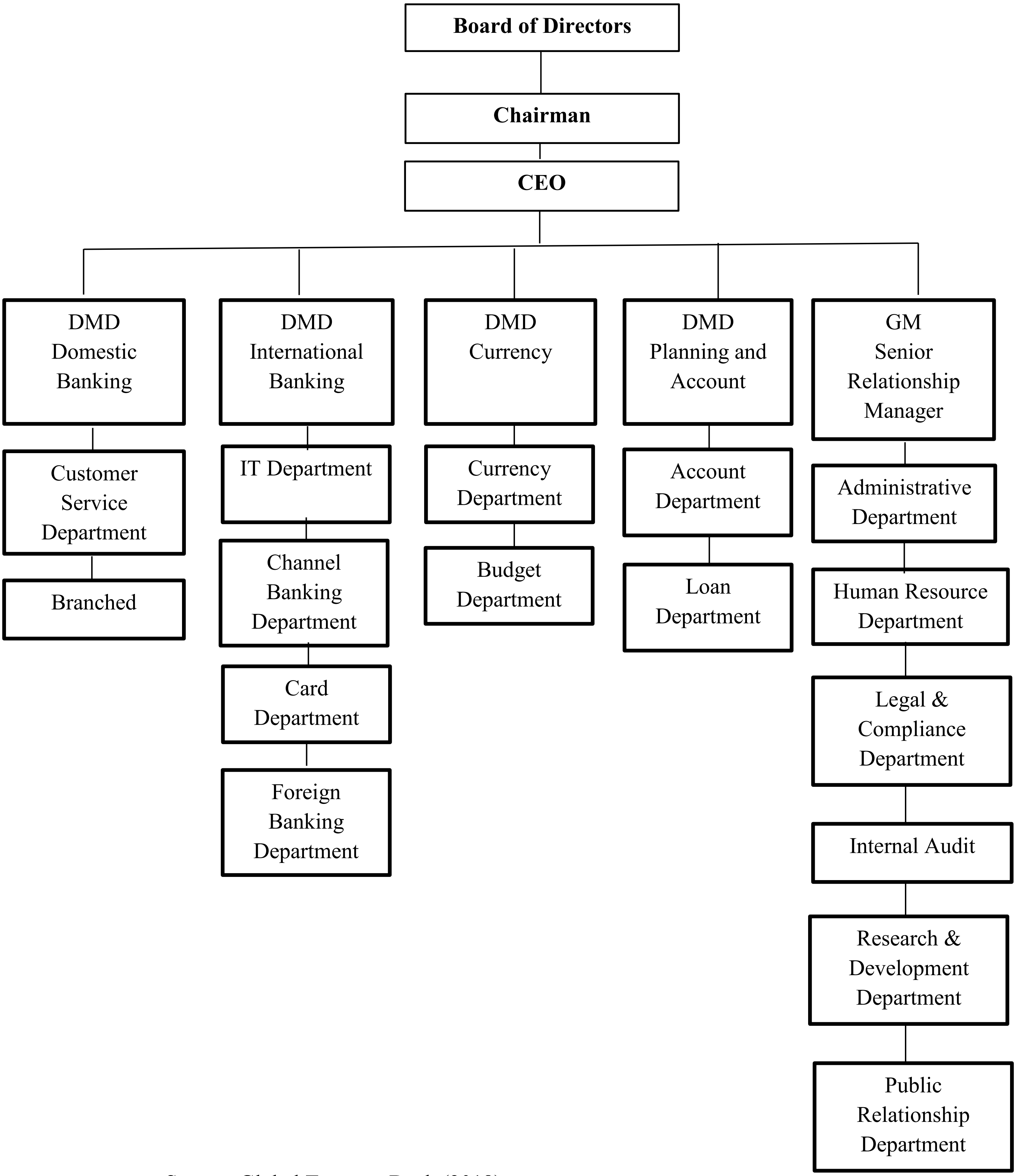
3.3 Organization Structure of Global Treasure Bank

The bank is managed by the Board of Directors which comprise of 15 members. One of them is elected as Chairman of the Board. Furthermore, two Independent Non-Executive Directors are appointed at the Annual General Assembly Meeting to provide appropriate advice from neutral standpoint, independent of management. BOD Meetings are convene at least once a month to decide on important matters stipulated in Laws and Article of Association, as well as to make important decisions related to management policy and management stratery. The Managing Director serves as Chief of Executive Officer of the bank and senior management and its staff are as follows:

1. - Chief Executive Officer
2. - Deputy Managing Director (Domestic Banking)
3. - Deputy Managing Director (International Banking)
4. - Deputy Managing Director (Currency)
5. - Deputy Managing Director (Planning and Account)
6. - Senior Relationship Officer (General Manager)

A total of 3,398 employees including (361) officers and (3,037) staff including head office and bank branches.

Figure (3.1) Organization Structure of Global Treasure Bank



Source: Global Treasure Bank (2018)

3.4 Services of Global Treasure Bank

Savings deposit account can be opened with initial amount of Kyats 1,000. Savings deposit account can be opened individually, joint account with two or more persons, company account, and organization account, underage person account etc. Interest rate for saving deposit is 8 per cent and it can withdraw once per week. Interest will be paid every 3 month.

Fixed deposit account can be opened with initial amount of 1,000 Kyats and more of thousand kyats can be put up frequently. Fixed deposit account can be opened individually, joint account with two or more persons, company account, organization account etc. No interest pay for Premature withdraws.

Fixed Deposit Account's interest rates and tenures are as follows;

3 Months	9.25%
6 Months	9.50%
9 Months	9.75%
12 Months	10.00%

Current deposit account can be opened with initial amount of 1,000 Kyats and more of thousand Kyats can be put up frequently. Current accounts can be opened individually, joint account with two or more persons, company account, organization account etc. Withdraws and deposits are not limited by using cheque book. Bank fee for certified cheque will be charged 5 pyas per 1oo Kyats up to 1,000 Kyats (minimum) and 5,000 Kyats (maximum). Bank fee for payment order will be charged 10 pyas per 100 Kyats up to 1,000 Kyats (minimum) and 30,000 Kyats (maximum).Commission fees for performance guarantee will be charged on guarantee amount.

Domestic remittance services can be done not only areas of the GTB branches but also remittance benefit sharing partnership banks such as MOB Bank, CB Bank, SMIDB Bank, MWD Bank, RDB Bank, AGD Bank, UAB Bank, YCB Bank accordingly. Overseas remittance services is providing with 200 countries through Western Union. Inwards remittance can be withdrawn at nearby GTB branches in a minute.For loans services, type of loans and collaterals are as follows. Loans interest 13%. Interest will be collected by every 3 months.

1. Loans
2. Overdraft (a. Land & Building, b. Guarantee, c. Gold and d. Pledge to be used as collaterals)

3. Government Staff Loan

Global Treasure Bank is lending money to the public service personnel. As part of issuing government staff loan, GTB has been offering door to door service to the teachers from the Basic Education Department under the Ministry of Education to ensure their social welfare and to enable them to perform their duties happily, free from worry. A total of (156) bank branches across the country have already granted loans to government staff numbering (90,777) amount to Kyats 68,740,171,800 until today.

For hired purchase, borrower shall pay down payment of 30% of value and one year interest amount at the beginning of borrowing to the bank. Remaining 70% are divided 12 months to 60 months and pay by installment on the latest on fifth of every month. Interest rate for hire purchase are as follows;

1 Year	13% interest + 1% service charges
2 Year	13% interest + 2% service charges
3,4,5 Years	13% interest + 3% service charges

The bank is recognized as one of the leading banks in domestic banking services with a current network of 156 branches which is a great opportunity for remittance. In 2017-2018 financial year, the bank provided remittance services as follows:

Volume of remittance	7.62 T Kyats
Income from remittance	5.66 B Kyats

3.5 Number of Clients, International Banking Products and Services

The bank is working with 254,068 clients including depositors and borrowers from various sectors.Global Treasure Bank operates 22 Money Changer Counters in strategic areas such as Yangon head office, Mandalay-Yadanabon Diamond Plaza, Mandalay 26 Street, Mandalay Sai Tan bank, Thandwe (Rakhine), Naypyitaw, Shwe Bo (Sagaing Region), Kalay (Sagaing Region), Mawlamyaing - 1, Mawlamyaing Zay Kyo, Kawthaung, Dawei, Monywa, Sawbwargrigon, Pyay, ShweBonTha, Katha, Myawaddy, Muse, Maung Taw, Tamu and Maungmakan Township. The bank provides a range of services including foreign exchange, foreign currency accounts, money transfer, SWIFT remittance, bank guarantee and trade finance such as letters of credit, bills for collection, trust receipts and import & export trade financing in major foreign currencies such as USD, Euro, Singapore Dollars, Malaysia Ringgit and

Thai Baht. An inward money transfer service has been operating from 200 countries through Western Union Company of USA. In zotT-zor8 financial year, clients from Africa, America, Asia &Middle East, Europe and Oceania countries conducted So,64Stransactions amounting to USD$ 3r.6 million to various part of Myanmar through Global Treasure Bank branches. Money transfers could be made in cash or by using payment instruments such as cheques and authorized payments. In June zot6, outward remittances through Western Union Money Transfer services are being provided at GTB branches. Customers who do not possess bank account can also send money to all over the world through GTB branches.

Core Banking and Card Business is of great important to apply technology for the development of banking services. GTB has signed contract agreement with Union Pay International (UPI) and China Union Pay Data (CUPD) for Card Management Service to carry out Card Business. CUPD will serve as a CMS Outsourcing Service provider and GTB will issue MPU-UPI Co-branded Credit Cards. In order to modernization and in harmony with international banking standards GTB assigned KPMG advisory service private limited for the screening of suitable and international standard core banking system. GTB has signed an agreement with Infosys Core Banking Co;Ltd for establishment of Core Banking System and at the same time DATA Center also being established.

Global Treasure Bank, in cooperation with 15 private banking institutions named the Co-operative Bank, Myanmar Oriental Bank, Small and Medium Industrial Development Bank, Myawaddy Bank, Rural Development bank, Asia Green Development Bank, Yangon City Bank, United Amara Bank, Nay Pyr Taw Sibin Bank, Construction & Housing Development Bank, Myanmar Micro Finance Bank, Shwe (Rural and Urban Development) Bank, Ayeyarwaddy Farmers Development Bank, Myanmar Citizens Bank and Innwa Bank to provide domestic money transactions services. The cooperation can facilitate banking operations and jointly offer in remittance services.

Global Treasure Bank has established correspondent banking relationships with ten international banks from China, Germany, Hong Kong, India, Malaysia, Singapore, South Korea, Taiwan, Thailand & Vietnam, which are Myanmar's major trading partners, to fulfill the needs of our customers in international banking and trade finance services. Global Treasure Bank is a reliable and secured partner for the country's growing business. The bank is committed to developing and maintaining a long term partnership with other financial institutions to grow trade finance transactions, money transfer services and international banking services.

In 2017-2018 financial year, Global Treasure Bank taking part in philanthropic activities enthusiastically under the "Treasure Heart Social Support Association" to expand and support CSR activities and has donated over 103.8 million Kyats for CSR programs. GTB donation supports well-being of social societies in the field of healthcare, natural disaster rehabilitation and community development such as rural power supply and water supply. GTB helps children who attend schools for the disabled, nutrition programs for hospitalize people, home for the aged, the cancer foundations etc.

GTB takes responsibility for strict compliance to the Anti-Money Laundering Law of the Republic of the Union of Myanmar, United Nations International Convention for the Suppression of the Financing of Terrorism 1997,International Standards on Money Laundering and Countering the Financing of Terrorism and Proliferation, the Financial Action Task Force (FATF) 40 recommendations and Working Guidelines and Instructions of Central Bank of Myanmar and Ministry of Home Affairs. GTB sets up AML Compliance Unit led by AGM, Legal and Compliance Department, and all Heads of Branches are appointed as Compliance Officers. They have to report Cash Transaction Report (CTR) and Suspicious Transaction Report (STR) by online reporting system on time.

GTB bank achieves the Presidential Excellence Award on top Income Tax Payers and was listed as the top six among 1,000 tax paying companies, and in second position among all private banks for the year 2014-2015. In 2015-2016 income year, GTB was conferred top income taxpayers awarded and Certificate of honor by Department of Internal Revenue of Ministry of Finance as the six largest income tax payer (Myanmar Company) in the whole country, and third position among all Myanmar banks. In 2016-2017 income year, GTB was ranked eleventh tax payer among 1,000 tax paying company and in third position banks among all banks.

CHAPTER (4)
EFFECT OF CREDIT RISK MANAGEMENT ON LOAN PERFORMANCE IN GLOBAL TREASURE BANK

The aim of this chapter is to examine and analyze the effect of credit risk management practices on loan performance in GTB through quantitative data that are collected through survey questionnaires. The data collection for this study is conducted in September, 2019, from employees who are working at credit functions in GTB Bank. Simple random sampling method was applied in the study. There were 113 employees who completed the survey questionnaires. The analysis is divided into two parts. The first part is the analysis of credit risk management practices on loan in GTB. It covers credit risk identification, credit risk analysis, credit risk control, and credit risk monitoring. The second part presents the analysis for objective two that is to analyze the effect of loan performance in GTB Bank on credit risk management practices.

4.1 Research Design

To analyze the effect of loan performance in GTB on credit risk management practices, the required data were obtained by using sample survey. Out of 100%, 42% random employees who are working at credit functions in GTB were taken from the total number of employee in credit risk functions of GTB. Simple random sampling method is used in this study. The questionnaire consists of two main parts: the first part is concerned with demographic factors of employee and the second part is related to the four credit risk management practices namely credit risk identification, credit risk analysis, credit risk control and credit risk monitoring and loan performance of GTB bank. All questions in second part are measured by 5-point Likert scales ranging from strongly disagree to strongly agree in 1 to 5 scores. After developing the structured questionnaires, 113 questionnaires were distributed to sampled employee. After conducting the survey, the obtained data are processed and analyzed using the SPSS Software version 25 to conduct descriptive analysis such as mean and inferential analysis such as correlation analysis, regression analysis to determine the research objective.

4.2 Demographic Characteristics of Respondents

This section presents the demographic characteristic of employee. The employees were asked to describe their demographic information, including gender, age, highest level of education, position and working experience in GTB.

4.2.1 Gender of Respondents

Table (4.1) describes the number of respondents relating to gender that participated in the survey. Gender is categorized by male and female.

Table (4.1) Gender of Respondents

Gender	No. of Respondents	Percentage (%)
Male	48	42.5
Female	65	57.5
Total	113	100.0

Source: Survey Data (2019)

According to Table (4.1), 48 employees were male, accounting for 42.5% of the total employees and 65 employees were female, accounting for 57.5% of the total employees. Therefore, the majority of employees who are working credit function in GTB bank are female employee.

4.2.2 Age of Respondents

Table (4.2) is a description of the number of respondents that are classified according to their ages. There are three groups. The first one is the group of employee that are under 30 years. The second group of respondents that are between 31 to 45 years. The last one includes the people that are over 45 years.

Table (4.2) Age of Respondents

Age (in Years)	No. of Respondents	Percentage (%)
Under 30	19	16.8
Between 31 to 45	59	52.2
Over 45	35	31.0
Total	113	100.0

Source: Survey Data (2019)

According to Table (4.2), the largest group is the one that includes the respondents who are between31 to 45, found that 59 of respondents, accounting for 52.2%. The second largest group is the respondents who are over 45 years, found that 35 of respondents, accounting for 31%, and the remaining and smallest group is the respondents who are under 30 years, found that 19 of respondents, accounting for 16.8.

4.2.3 Job Position of the Respondents

Employee's level of position is classified into five groups such as DGM, AGM, manager, credit officers and supervisor.

Table (4.3) Job Position of Respondents

Positon	No. of Respondents	Percentage (%)
DGM	7	6.2
AGM	11	9.7
Manager	18	15.9
Credit Officers	39	34.5
Supervisor	38	33.6
Total	113	100.0

Source: Survey Data (2019)

According to Table (4.3), about26.2% of employees are deputy general manager, 9.8% of the employees are assistant general manager, 15.9% of the employees are credit officer, 38% are managers and 34.5% of the employees are Supervisors. Therefore, most of the employees in Credit Functions of GTB is managers and supervisors. All the employees are management and manager level in operation that outnumbered these of executive level. This was done intentionally to analyze the level of understanding and real operation procedures in their fields. This result indicates that it is to reduce one climbs up the ladder towards the top of the organization since top management is concerned with making decisions which are then implemented by those in lower levels who should be a good number to cope up with various assignments that would be delegated.

4.2.4 Education Level of Respondents

Education of respondents are classified into two categories namely Bachelor and Master Degree. The number of respondents by education level is present the following Table (4.4).

Table (4.4) Education Level of Respondents

Highest Level	No. of Respondents	Percentage (%)
Bachelor	87	77.0
Master	26	23.0
Total	113	100.0

Source: Survey Data (2019)

As the results of Table (4.4) shows that most of the respondents hold a bachelor degrees with 77% and remaining 26% are holding in master's degree in different field of study. This indicates that most of the management and operational personnel have a high good level of education that is bachelor and master's degree and, they are well equipped with the information concerning risk management practices and they can respond accurately to the questionnaire.

4.2.5 Working Experience of Respondents

Experience of respondents are classified into four group. They are under 1 year, from 1 to 3 years, from 4 to 10 years, and above 10 years. The survey results for the years of employee's experience are shown in Table (4.5).

Table (4.5) Working Experience of Respondents

Experience (in Years)	No. of Respondents	Percentage (%)
Under 1	3	2.7
From 1 to 3	8	7.1
From 4 to 10	55	48.7
Above 10	47	41.6
Total	113	100.0

Source: Survey Data (2019)

According to the table (4.5) reveals that most of the respondents have worked in loan department of GTB bank for more than 4 years and 10 years with 90.3% of the total respondents. And it could be that most of the staffs acquired sufficient experience to perform risk management activities. Less than 5 years' services indicate that the organizations have good succession plan for the risk management practice which is an important factor for the GTB bank long term sustainability.

4.3 Analysis of Credit Risk Management Practices of GTB

This section aims to present the analyses of credit risk management practices on four main practices of this study (credit risk identification, credit risk analysis, credit risk control and credit risk monitoring) based on employee's agreement level who are working in credit function of GTB. The questionnaires for the study are designed according to five-point Likert scale from scale of one to five, where one represents "strongly disagree" and five represents "strongly agree". The mean values were calculated based on sample 113 employees. This section for descriptive analysis is the mean characteristics for each of the variables. The descriptive results for each measured variables in this study are presented in the following. The interpretation of Likert-scale questions is based on the formulation below:

The width of each level = (Highest score – lowest score) ÷ Number of level

= (5 – 1) ÷ 5 = 0.8

The average of 1.00 – 1.79 means a very low level of agreement. The average of 1.80 – 2.59 means a low level of agreement and 2.60 – 3.39 means moderate level of agreement. The average of 3.40 – 4.19 means a high agreement level and the average of 4.20 – 5.00 means a very high level of agreement. (Guven, n.d.)

4.3.1 Credit Risk Identification

There are six statements used to identify the level of respondent agreement towards the credit risk identification. The mean and standard deviation value of all scales under credit risk identification are shown in Table (4.6).

Table (4.6) Descriptive Measure for Credit Risk Identification

No.	Statement	Mean	Std. Dev
1	Organization have a policy to support the development of credit risk management.	3.84	.591
2	Bank have internal credit rating system.	3.86	.596
3	Is the credit policy communicate with the overall risk management policy.	3.81	.595
4	Risk identification should involve all level of staffs of concerned department.	3.76	.698
5	In risk identification practices, credit risk officer need to know the length of time or number of years the business has been in operation and personal business experience of the borrower.	3.82	.630
6	The staffs are identified all possible risks from the survey questions or computing the loan ratios. Reviewing of past payment record is the good identification practice for bank.	3.84	.689
Overall Average Value		**3.87**	

Source: Survey Results 2019, SPSS Output

According to the results in Table (4.6), Organization have a policy to support the development of credit risk management get 3.84, internal credit rating system have 3.86, the credit policy is communicate with the overall risk management policy get 3.81. Risk identification should involve all level of staffs of concerned department have 3.76, , credit risk officer need to know the length of time or number of years the business has been in operation and personal business experience of the borrower have 3.82, The staffs are identified all possible risks from the survey questions or computing the loan ratios. Reviewing of past payment record is the good identification practice for bank have 3.84.The over all mean score of credit risk identification practices is 3.83. The result shows that employees are most agreement the risk identification practices are the effect on loan performance. Therefore, all respondents generally agreed to the risk identification process by board and senior manager. Consequently, bank need to consider developing the reviewing of past payment record which is the key function of this practices.

4.3.2 Credit Risk Analysis

There are eight statements used to identify the level of respondent agreement towards the credit risk analysis. The mean and standard deviation value of all scales under credit risk analysis are shown in Table (4.7).

Table (4.7) Descriptive Measure for Credit Risk Analysis

No.	Statement	Mean	Std. Dev
1	Bank call for your opinions whenever there is an adjustment to the policies associated to credit risk management.	3.73	.732
2	Organization change its guidelines or policies to manage Risks?	3.85	.671
3	Estimate the impact and frequency of each identified risk factor. The level of all debts ,including the proposed loan request, compared to the equity should tell how heavy the debt burden is.	3.80	.696
4	The amount of the financing needs compared to the business size, in terms of capital, total debts and total assets. The ability to pay back short-term debts with short-term assets.	3.84	.714
5	The staffs need to know the borrower's business ability of growing sales in the recent years.	3.89	.686
6	The staffs needs to check onsite visit to the borrower's business.	3.88	.683
7	The staffs should check the borrower's loan purposes and need to check periodically after the loan disburse. The length of the need to repay the loan, the shorter the better.	3.89	.712
8	Credit scoring model is used to identify credit risks and mitigating factors, determining financing requirements and earnings for bank, monitoring loan performance risks in crisis situations, and structuring facilities.	3.89	.712
Overall Average Value		**3.83**	

Source: Survey Results 2019, SPSS Output

According to the results in Table (4.7), Bank call for your opinions whenever there is an adjustment to the policies associated to credit risk management is 3.84, Organization change its guidelines or policies to manage risk has 3.93, Estimate the impact and frequency of each identified risk factor. The level of all debts ,including the proposed loan request, compared to the equity should tell how heavy the debt burden is 3.80, The amount of the financing needs compared to the business size, in terms of capital, total debts and total assets. The ability to pay back short-term debts with short-term assets is 3.84, The staffs need to know the borrower's business ability of growing sales in the recent years is 3.89, The staffs needs to check onsite visit to the borrower's business is 3.88, The staffs should check the borrower's loan purposes and need to check periodically after the loan disburse. The length of the need to repay the loan, the shorter the better get 3.89, Credit scoring model is used to identify credit risks and mitigating factors, determining financing requirements and earnings for bank, monitoring loan performance risks in crisis situations, and structuring facilities are 3.89.The overall mean score of credit risk analysis practices is 3.83 shows that all respondents are fairly agree the credit risk analysis on the effect of loan performance in GTB bank. The result shows that employees agree the risk analysis practices effect on loan performance.

4.3.3 Credit Risk Control

There are six statements used to identify the level of respondent agreement towards the credit risk control. The mean and standard deviation value of all scales under credit risk control are shown in Table (4.8).

Table (4.8) Descriptive Measure for Credit Risk Control

No.	Statement	Mean	Std. Dev
1	Organization provide credit risk management training courses.	3.84	.714
2	Risk Mitigation practices used to control credit risk include the use of Covenants, use of adequate collateral, and use of personal guarantors, use of savings/deposit accounts and also insurance against default.	3.93	.716
3	The first and main sources of repayment, cash flow generated by the business, should be carefully assessed through financial analysis to see if cash will be available.	3.92	.696
4	Collateral is the second source of the repayment, which would be the repossession & resale of the collateral to cover the loan.	3.96	.667
5	Lending to related parties is particularly dangerous form of credit risk exposure. Bank need to consolidate lending of the related parties group that can be reduce the concentration risk in the future.	3.82	.697
6	When banks are lending with unsecured lending method (without collateral), the bank should take the interest rate for 13%+3%(risk premium) to cover the risk by insurance.	3.98	.707
Overall Average Value		**3.86**	

Source: Survey Results 2019, SPSS Output

According to the results in Table (4.8), Organization provide credit risk management training courses has 3.84, Risk Mitigation practices used to control credit risk include the use of Covenants, use of adequate collateral, and use of personal guarantors, use of savings/deposit accounts and also insurance against default is 3.93, The first and main sources of repayment, cash flow generated by the business, should be carefully assessed through financial analysis to see if cash will be available is 3.92, Collateral is the second source of the repayment, which would be the repossession & resale of the collateral to cover the loan is 3.96, Lending to related parties is particularly dangerous form of credit risk exposure. Bank need to consolidate lending of the related parties group that can be reduce the concentration risk in the future is 3.82, When banks are lending with unsecured lending method (without collateral), the bank should take the interest rate for 13%+3%(risk premium) to cover the risk by insurance get 3.98. The overall mean score of credit risk control is 3.86, so most of the respondents are agree the credit control on the effect of loan performance of GTB bank.

4.3.4 Credit Risk Monitoring

There are seven statements used to identify the level of respondent agreement towards the credit risk monitoring. The mean and standard deviation value of all scales under credit risk monitoring are shown in Table (4.9).

Table (4.9) Descriptive Measure for Credit Risk Monitoring

No.	Statement	Mean	Std. Dev
1	Monitor the periodical business performance of the problem loans. Follow up the customer's financial analysis periodically.	3.84	.714
2	Follow up the customer's bank account with cash transaction & regular payment of interest for the all of debt.	3.93	.716
3	Relationship Manager need to continuous dealing with the customer & unexpected Site visit to the proposed project.	3.92	.696
4	Credit officers are always need to update the borrower's loan file.	3.96	.667
5	MIS is also used to produce various reports on demand or as scheduled.	3.82	.697
6	After the loan is approved, the loan should be continuously watched over.	3.98	.707
7	Monitoring practice include keeping track of borrower's compliance with credit terms, identifying early signs of irregularity, conducting periodic valuation of collateral & monitoring timely repayments.	3.88	.670
Overall Average Value		**3.91**	

Source: Survey Results 2019, SPSS Output

According to the results in Table (4.9), Monitor the periodical business performance of the problem loans. Follow up the customer's financial analysis periodically is 3.84, Follow up the customer's bank account with cash transaction & regular payment of interest for the all of debt is 3.93, Relationship Manager need to continuous dealing with the customer & unexpected Site visit to the proposed project is 3.93, Credit officers are always need to update the borrower's loan file is 3.96, MIS is also used to produce various reports on demand or as scheduled has 3.82, After the loan is approved, the loan should be continuously watched over is3.98, Monitoring practice include keeping track of borrower's compliance with credit terms, identifying early signs of irregularity, conducting periodic valuation of collateral & monitoring timely repayments is 3.88. The overall mean score of credit risk control is 3.91, so most of the respondents are agree the credit control on the effect of loan performance of GTB bank.

4.4 Loan Performance of Global Treasure Bank

There are 12 statements used to identify the level of respondent agreement towards the loan performance of GTB. The mean and standard deviation value of all scales under loan performance of GTB are shown in Table (4.10).

Table (4.10) Descriptive Measure for Loan Performance

No.	Statement	Mean	Std. Dev
1	Guideline support the goals & objectives of credit risk management.	3.78	.608
2	Efficient credit risk management practices have been vital in preventing occurrence of bad debt & non-performing loans.	3.91	.606
3	The financial success of a bank depends on the effectiveness of credit management practices as most of the income from interest is earned on loans extended.	3.85	.658
4	Credit analysis practice that can help to mitigate the level of risk by ensuring that borrowers are credit worthy before giving out credit.	3.91	.676

5	Credit scoring practices can be measured the level of default by the borrower.	3.88	.709
6	By using of the credit analysis model, the bank can know the borrower's characteristics & that can effect on loan performance of a bank.	3.93	.651
7	Credit risk analysis practice can predict accurately the future capability of a borrower to meet his/her financial obligation & that can reduce the default risk in the future.	3.86	.693
8	Effective credit risk identification practice is to identify all possible risks that are either inherent in any banking operations that may affect the bank.	3.93	.678
9	In mitigation practice, a bank can be mitigated the non-performing loan & loan losses by insurance & by taking the sufficient collateral for the loan amount.	3.81	.742
10	MIS helps in making various decisions on credit risk management & that can be prevented the occurrence of bad debt & non-performing loans.	3.90	.744
11	The bank's deposit will be increased because of decrease in Non-performing loan status that can effect on loan performance in financial institutions.	3.86	.778
12	Effective monitoring practice ensures that the bank understands the current financial condition of the borrower, monitors compliance with the existing terms & conditions, assesses collateral in relation to the borrower's current condition, identifies non-performing accounts.	3.87	.648
Overall Average Value		**3.87**	

Source: Survey Results 2019, SPSS Output

According to the results in Table (4.10), the overall mean score of loan performance of GTB bank in term of credit risk practices is 3.87. It can be concluded that all respondents are strongly agree the credit risk management practices have dominant effect of loan performance in GTB bank.

4.5 Relationship between Credit Risk Management Practices and Loan Performance

In studying relationship between credit risk management practices and loan performance of GTB, correlation coefficient is computed and tested the significance of the relationship before determining the effect of credit risk management practices on loan performance of regression. Correlation is a measure of relationship between two variables. The correlation coefficient gives value (-1 to 1) for measuring direction and the strength of the linear relationship between two variables. Correlations of all variables used in this study are shown in following Table (4.11).

Table (4.11) Correlation Coefficient between Credit Risk Management Practices and Loan Performance of GTB

Credit Risk Management		**Loan Performance**
Credit Risk Identification	Pearson Correlation Sig. (2-tailed)	.295** .001
Credit Risk Analysis	Pearson Correlation Sig. (2-tailed)	.542** .000
Credit Risk Control	Pearson Correlation Sig. (2-tailed)	-.464** .000
Credit Risk Monitoring	Pearson Correlation Sig. (2-tailed)	.521** .000

Source: Survey Results, 2019 (SPSS Output)

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

According to the Table (4.11), the correlation coefficient between credit risk identification and loan performance is 0.295 at significant 1% level. This shows that there is positively and weakly relationship between credit risk identification and loan performance. The correlation coefficient between credit risk analysis and loan performance is 0.542 at significant 1% level. This shows that there is direct and moderate relationship between credit risk analysis and loan performance. Moreover, the correlation coefficient between credit risk control and loan performance is -.464 at significant 1% level. This shows that there is negatively and fairly correlated between credit risk control and loan performance. The correlation coefficient between credit risk monitoring and loan performance is 0.521 at significant 1% level. This shows that there is positively and fairly relationship between credit risk monitoring and loan performance.

4.6 Effect of Credit Risk Practices on Loan Performance in GTB

If the value of the correlation coefficient is significant, the next step is to determine the effect of credit risk practices on loan performance in GTB by using regression equation. In this section, the outcomes of analyzing for the objectives two are presented. This section includes the discussion of outcomes, including regression equations as well as estimates of variation of outcomes, and a full reporting of the linear regression outcomes from the statistical analysis.

This was analyzed using multiple linear-regression, which determines the variation of the dependent variable based on the independent variable. For this model, the dependent variable is loan performance and the independent variable is credit risk management practices. The results are described in Table (4.12).

Table (4.12) Regression Result of Loan Performance on Credit Risk Management Practices of GTB

Credit Risk Management Practices	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.871	.391		2.226	.028
Credit Risk Identification	.419	.087	.344	4.844	.000
Credit Risk Analysis	.282	.085	.611	3.298	.001
Credit Risk Control	-.389	.121	-.844	-3.215	.002
Credit Risk Monitoring	.465	.140	.883	3.322	.001
N = 113 **adj R^2 = .443** **F = 23.237** (p-value = 0.000)**					

Source: Survey Results, 2019 (SPSS Output)

For this purpose, the multiple regression analysis is conducted and the results are reported in Table (4.12). The result show that the all coefficients in the model namely credit risk identification, credit risk analysis, credit risk control and credit risk monitoring are significant at 1% level, which is indicated by the value of F-statistic with 23.237. Since the value of adjusted coefficient of multiple determination is .443, it revealed that 44.3% of the variation of change in loan performance is explained by four type of credit risk management.

All of the four independent variables in the model are statistically significant at 1% level. The magnitude of each coefficient indicates the amount how much the score of the dependent variable will change if the score of an independent variable increases by 1 unit while other things remain unchanged. That is, if the practice of credit risk identification is increase one unit, the loan performance of the GTB bank will increase .419 scores other variable remains unchanged. If the practice of credit risk analysis is increase one unit, the loan performance of the GTB bank will increase .282 scores other variable remains unchanged. If the practice of credit risk monitoring is increase one unit, the loan performance of the GTB bank will decrease .389 scores other variable remains unchanged. If the practice of credit risk monitoring is increase one unit, the loan performance of the GTB bank will increase .465 scores other variable remains unchanged.

The standardized coefficient for credit risk monitoring is .883. Therefore, among the four credit risk management practices, credit risk monitoring is key determinant of loan performance.

CHAPTER (5)
CONCLUSION

This chapter includes the conclusion which is based on the analysis of the results of the thesis. It has been structured into three main sections: findings, recommendations and suggestions and needs for futures research.

5.1 Findings

Credit risk management practices of GTB Bank absolutely look like with credit risk management practices of background theory. The bank follows the guideline for soundness of credit risk management practices, state on reference theory. However, some factors are not yet described on its practice, such as credit bureau referencing. credit information sharing through the credit reference bureaus will enable borrowers build a track record that can be used in accessing credit and thus bridge the information gap that exists between the Lenders and the borrowers' This will be especially pertinent to those borrowers in the informal who have a track record and good performance to use it to access credit. The study focusses on the credit risk management practices of GTB Banks on loans. The result was based on the analysis of 42% of the total population of credit Functions that provide the customers with credit facilities. Findings state that GTB Bank use different credit risk management practices to ensure that techniques and assessment models manage the credit risk which have one main objective of reducing the amount of loan default which is a principal cause of bank failure. Sound credit risk management practices have lower loan default ratio (bad loans).

As per research analysis, credit risk identification practices is mostly effected in loan performance of the GTB Bank. The study concludes that GTB Bank used a combination of methods to identify credit risk among the businesses this includes checking of borrower's working experiences in operation, computing of loan ratios to identify risk and using the survey question for all possible risks, reviewing of past payment record, borrowers, relationship with GTB, using audit financial statement and establishing the lending framework. Among them, the popular method for the risk identification is reviewing the past payment record that is the highest mean score in identification and the effectiveness way on the loan performance of the bank.

Establishing the framework for lending method was the least popular method in risk identification that is because respondents weren't familiar with the robust framework in lending. Audited Financial statements was the second least popular method used in risk identification this is because most businesses do not have proper records concerning their businesses. credit Analysis model with Five Cs was most popular in credit measurement method and credit scoring model with financial characteristics from both the business and business owner these are the effective tools in credit risk management practices.

Credit facilities in GTB Bank are heavily secured with physical collateral as Land, building and machinery and personal guarantors. Personal guarantors are used in SME lending when the collateral pledged is not enough to cover the security, in most banks the guarantor is an account holder with the lender. The first and main source of repayment, cash flow generated by the business was the most popular method in risk controlling and mitigation of the GTB Bank. Bank also require that have to operate Deposits/Savings accounts for a period of six to twelve months before availing credit facilities to them. GTB also required the method to follow up the financial statement periodically and visiting to customer premises (unexpected). visiting the customer's premises was the most commonly used method by GTB Bank to identify credit risks and to monitor the risk among the loans which have a mean response rate of 3.91, this was mainly used to verify physical address of the business and identified potential sources of the credit risk for the customers. This is an effective tool for monitoring the cash flow of the business' Findings also show the analysis found a positive relationship between loan performance and the credit risk management variables used in the study.

5.2 Suggestion & Recommendations

Global Treasure Bank has been relying too much, almost exclusively on the collateral to lend money without ever trying to find out what the borrower exactly needs for money for and how he is going to repay, when, with what money, from what sources. That is the surest way to have big troubles sooner or later.

A better lending approach is to try to rely less on the collateral. GTB Bank would still need collateral, but collateral is no longer the only criteria for approving or rejection a loan. If the customer does not have collateral or does not have collateral with sufficient value, we can still find a way to lend if banks are lending with unsecured lending method (CGI) to SME Business in Myanmar. CGI is included as one of bank lending policies. In this system, the businessman can apply for a loan from the bank without collateral after he or she has bought guarantees from bank. Bank has to buy full guarantees from Myanmar Insurance that is owned by the Ministry of Planning and Finance. If the businessman had defaults for many reasons and the customer could not pay back the borrowed money, the Myanmar Insurance will return just 60 percent of the loan to the bank. So, credit risk can be mitigated by full guarantees from Myanmar Insurance.

All of the credit risk management practices are important in banking industry, but regarding of the respondents' survey result, they are friendly with first three practices but the last practice (risk monitoring practice) is still weak and they assumed that this monitoring process are not fully impacted on the loan performance. As per suggestion, they need to effort in this credit Monitoring because this is an integral part of lending activity. Banks have a great responsibility to maintain the quality of the assets and to recover the interest and other dues in time. Though adequate precautions are taken during the assessment and sanction of a loan, a banker has to be more vigilant after sanction the loan. Unless early warning signals are captured, a bank may not be able to take proper remedial measures to arrest the slippage in the quality of the asset. Banks need to put in place a very sound and effective credit monitoring system for watching the borrower's account from various angles.

To abide by the rules and regulations of central Bank of Myanmar is very important. The government can also provide special support units which includes impacting appropriate business skill through workshops, expert advisers and enterprises forums to SMEs clients, this will help the equip the business with appropriate business management skills for future challenges and reduce instances of nonperforming loans.

5.3 Limitation and Future Study

This study emphasized on the base of lecture notes of credit risk management department and survey questions of management, manager level of operation, credit risk officers and supervisors from credit Functions. This study is just analyzed by using descriptive method with tables, graphs and charts. Therefore, it is needed to continuous study by using more completely method with other analytical tools' credit risk management is the crucial management for not only banking industry also the whole financial institutions of Myanmar. Since this study just emphasize on GTB Bank only' the study represented the whole banking system in Myanmar should be continuously.

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Appendix

QUESTIONNARIES for

Credit Risk Management Practices on Loans in GTB

PART A

Dear Respondents,

This questionnaire is a part of the special study, which is the curricular requirements of the students from Master of Banking & Finance, Yangon University of Economics, Myanmar. All information here in that the respondents provided in this survey questionnaire will be treated with almost confidentially. Please kindly answer all the questions in below survey questionnaire spread sheet. I am highly appreciated for your cooperation by spending your precious time answering it.

Please tick the choice that you made after reading the statements.

Profile of the respondents

1. Gender of Respondents
    - Male
    - Female
2. Age of Respondents
    - Age under 30 years
    - Age between 31 and 45
    - Age over 45 years
3. Level of Education
    - Bachelor
    - Master
4. Respondent's position
    - AGM
    - Managers
    - Credit officers
    - Supervisors
5. Working experiences in GTB
    - Under 1 year
    - From 1 to 3 years
    - From 4 to 10 years
    - Above 10 years

PART B

Please indicate your level of agreement with the following statements as regards setting objective and risk identification techniques used by your bank. Use scale of 1-5.

Strongly Disagree	Disagree	Not Sure	Agree	Strongly agree
1	2	3	4	5

1.Credit Risk Management Practices

(A)Credit Risk Identification Practices

Statement	**1**	**2**	**3**	**4**	**5**
Organization have a policy to support the development of credit risk management.					
Bank have internal credit rating system.					
Is the credit policy communicate with the overall risk management policy.					
Risk identification should involve all level of staffs of concerned department.					
In risk identification practices, credit risk officer need to know the length of time or number of years the business has been in operation and personal business experience of the borrower.					
The staffs are identified all possible risks from the survey questions or computing the loan ratios.					
Reviewing of past payment record is the good identification practice for bank.					
How long the borrower and his business have been dealing with GTB. Primarily based on opening date of first deposit account.					
GTB need to check audited financial report for SMEs to know business transparent transactions and long histories of their businesses					
To establish the framework for lending and reflect an institution's credit culture and ethical standards					

(B)Credit Risk Analysis/Measurement Practices

Statements	**1**	**2**	**3**	**4**	**5**
Bank call for your opinions whenever there is an adjustment to the policies associated to credit risk management.					
Organization change its guidelines or policies to manage Risks?					

Estimate the impact and frequency of each identified risk factor.					
The leve1 of all debts ,including the proposed loan request, compared to the equity should tell how heavy the debt burden is.					
The amount of the financing needs compared to the business size, in terms of capital, total debts and total assets.					
The ability to pay back short-term debts with short-term assets.					
The staffs need to know the borrower's business ability of growing sales in the recent years.					
The staffs needs to check onsite visit to the borrower's business.					
The staffs should check the borrower's loan purposes and need to check periodically after the loan disburse.					
The length of the need to repay the loan, the shorter the better.					
Credit scoring model is used to identify credit risks and mitigating factors, determining financing requirements and earnings for bank, monitoring loan performance risks in crisis situations, and structuring facilities.					
SME credit scoring usually include financial characteristics from both the business and the business owner.					
Scoring system utilize information relating to the traditional 5Cs of credit.					

(C) Credit Risk Control / Mitigation Practices

Statement	1	2	3	4	5
Organization provide credit risk management training courses.					
Risk Mitigation practices used to control credit risk include the use of Covenants, use of adequate collateral, and use of personal guarantors, use of savings/deposit accounts and also insurance against default.					
The first and main sources of repayment, cash flow generated by the business, should be carefully assessed through financial analysis to see if cash will be available					
Collateral is the second source of the repayment, which would be the repossession & resale of the collateral to cover the loan.					
Lending to related parties is particularly dangerous form of credit risk exposure. Bank need to consolidate lending of the related parties group that can be reduce the concentration risk in the future.					
When banks are lending with unsecured lending method(without collateral), the bank should take the interest rate for 13%+3%(risk premium) to cover the risk by insurance.					

(D)Credit Risk Monitoring Practices

Statement	**1**	**2**	**3**	**4**	**5**
Monitor the periodical business performance of the problem loans.					
Follow up the customer's financial analysis periodically.					
Follow up the customer's bank account with cash transaction & regular payment of interest for the all of debt.					
Relationship Manager need to continuous dealing with the customer & unexpected Site visit to the proposed project.					
Credit officers are always need to update the borrower's loan file.					
MIS is also used to produce various reports on demand or as scheduled.					
After the loan is approved, the loan should be continuously watched over.					
Monitoring practice include keeping track of borrower's compliance with credit terms, identifying early signs of irregularity, conducting periodic valuation of collateral & monitoring timely repayments.					

2.Loan performance in Global Treasure Bank

Statement	**1**	**2**	**3**	**4**	**5**
Guideline support the goals & objectives of credit risk management.					
Efficient credit risk management practices have been vital in preventing occurrence of bad debt & non-performing loans.					
The financial success of a bank depends on the effectiveness of credit management practices as most of the income from interest is earned on loans extended.					
Credit analysis practice that can help to mitigate the level of risk by ensuring that borrowers are credit worthy before giving out credit.					
Credit scoring practices can be measured the level of default by the borrower.					
By using of the credit analysis model, the bank can know the borrower's characteristics & that can effect on loan performance of a bank.					
Credit risk analysis practice can predict accurately the future capability of a borrower to meet his/her financial obligation & that can reduce the default risk in the future.					
Effective credit risk identification practice is to identify all possible risks that are either inherent in any banking operations that may affect the bank.					
In mitigation practice, a bank can be mitigated the non-performing loan & loan losses by insurance & by taking the sufficient collateral for the loan amount.					
MIS helps in making various decisions on credit risk management & that can be prevented the occurrence of bad debt & non-performing loans.					
The bank's deposit will be increased because of decrease in					

Non-performing loan status that can effect on loan performance in financial institutions.					
Effective monitoring practice ensures that the bank understands the current financial condition of the borrower, monitors compliance with the existing terms & conditions, assesses collateral in relation to the borrower's current condition, identifies non-performing accounts.					

Thanks for taking of your time to complete the questionnaires.