

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

RECOVERY OF NON PERFORMING LOAN IN
CHID BANK

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ROLL NO. 63
(MBF-5TH BATCH)

DECEMBER, 2019

**RECOVERY OF NON PERFORMING LOAN IN
CHID BANK**

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

Supervised By:

Submitted By:

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ABSTRACT

The objectives of the study are to identify the non-performing loan recovery practices of CHID Bank and relationship between influencing factor and recovery of non-performing construction loan of CHID Bank. The research methodology adopted a descriptive research design based on recovery practices statements. A sample size of 35 respondents of loan and loan recovery department staff of CHID Bank was used and a simple random sampling method was adopted for this study. The method of study is based on the primary data is collected by interviewing with responsible persons and surveys collected by using structured questionnaires which were distributed to 35 respondents whose from 70 percent loan and loan recovery department's 50 staffs of CHID Bank in Yangon. The secondary data is obtained from previous data of CHID Bank and other related sources. The result of the study revealed, when the borrower's absence of loan repayment, in that loan recovery procedures practice was more important in recovery of non performing repayment activities. All loan recovery practices are needed more improve, reliable and strong but these practices are also important for loan recovery practices of CHID Bank. CHID Bank should upgrade and modify this construction loan system with strong loan policy and procedures and classify the level of loan customers by establishing customer database and analyzing and using an internal credit rating system to assess the risk level of borrowers. CHID Bank should improve the current products and services by using advanced technology. It is more convenient and more comfortable for customers to use bank services.

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LIST OF ABBREVIATION

AGM	Assistant General Manager
AM	Assistant Manager
AOA	Area Operation Agreement
AS	Assistant Supervisor
ATM	Automatic Teller Machine
BQ	Bill of Quantities
CHD Bank	Construction Housing and Development Bank
CHID Bank	Construction Housing and Infrastructure Development Bank
DGM	Deputy General Manager
DUHD	Department of Urban and Housing Development
DyM	Deputy Manager
GDP	Gross Domestic Product
ID	Identity
JBA	Junior Banking Assistant
JHF	Japan Housing Foundation
JICA	Japan International Cooperation Agency
MCEA	Myanmar Construction Entrepreneurs Association
MLIT	Ministry of Land, Infrastructure, Transport and Tourism
MMK	Myanmar Kyats
MOA	Memorandum Of Agreement
NPL	Non Performing Loan
OLS	Ordinary Least Square Regression
PPP	Public Private Partnership
S	Supervisor
SBA	Senior Banking Assistant

CHAPTER 1

INTRODUCTION

The banking sector is now playing an important role in maintaining a healthy financial system and economics for the country. A bank is a financial institution that performs accepting deposits, paying interest, clearing cheque, making loans, acting as an intermediary in financial transactions and providing other financial services. In terms of creditworthy customers, who are capable of repaying their debts, banks will be profitable. The economics and business environment is regularly changing and getting more competitive against other banks to compete for customers.

One of the main functions of a bank is transferring funds from depositors to borrowers who need financing to extend their business. As intercessors between depositors and borrowers, it contributes to the economic growth by offering various products and services. Banks offer many services but most of them are related to loan servicing.

One of the economic services that contribute greatly to bank profits is lending. Loans that banks lend out acts as financial solutions for their customers, and in return, the customers have the responsibility to pay principals and interests. Banks generate profit through interest from loans by charging higher rates than the cost of paying interest to depositors.

Banks are the principal source of credit (loanable funds) for individuals, households, business firms and for many units of government. Worldwide, banks grant more installment loans to the customer (individuals and families) than any other financial service providers. In Myanmar, the banking sector is playing an important role in economic development and a well-functioning system can support the economy of the country.

As the banks are opening and increasing in Myanmar, banks are trying to offer new products and services and to fulfill the needs of customers. The characteristics of a bank can influence customers' choices. The customer selection criteria when selecting a bank has become more important, many banks have made that identifying these factors an essential move in their effort in attracting new.

The customer makes their loan default because of the influence of various factors such as psychological factors, personal factors, cultural factors, social factors,

the influence of family members, economic factors. Banks are among the important sources of short-term working capital for businesses and have become increasingly active in recent years in making long-term business loans to fund the purchase. To deal with banks, customers make decisions to meet for their needs and expectations. This study intends to focus on non-performing loan recovery effect among the CHID bank and to find out the influencing factors for loan default on the bank. Loan default happens when a borrower breaks a substantial term of their loan agreement.

The borrower stops making loan payments is the most common reason for loan default. Therefore loan default customer percentage increase bank can't land another loan to the customer. The bank needs to recollect the default loan from the customer because to refill Bank's capital and customer's deposit money. If you can't recovery NPL loan Bank process can't run normally and lost customer deposit money and Bank's capital.

A high level of NPLs may lead to the collapse of the banking industry and affect a country's economy. When loan default happens, the lender can increase speed for the remaining balance or take legal action against the borrower.

1.1 Rationale of the Study

CHID bank is any business offering deposits subject to withdrawal on demand and making the commercial loan, construction loan, housing mortgage loan, bridge loan, term loan depending on their business nature.

Financial products and services require more understanding for consumers. It also needs to develop a conceptual framework together with service marketing to deal with the individual consumer.

Now, there are 27 private banks in Myanmar. Among them, this paper only focuses on the non-performing loan recovery of Construction, Housing and Infrastructure Development Bank (CHID Bank). Private commercial banks try to attract the customers by offering products and services with different options and they launch new products such as commercial loan, hire purchase loan, home loan, education loan. CHID Bank offers accepting deposits, making loans, providing trade financing, ATM service, and other financial services.

Especially, loan services of CHID banks are slightly different from other banks. CHID Bank offers Construction Loan to provide construction project (Developer), construction individual (Landowner) and compound building (Contractor / Landowner) for facilitating the socio-economic life and upgrading the quality of living of the citizens by developing urban and housing sector to meet international standards and offering innovation and satisfaction.

As the banking environment is more competitive, the choice of the customer to use bank services is important for the banks. There are many factors affecting customer selections in banking products and services. Some of the factors – service quality, getting loan amount, with collateral or without collateral taking, time is taken to process and the loan policy that affects customer decision making and satisfaction. Bankers will know more about customer perspectives and factors because customers may switch to other banks.

When the bank knows about the understanding of customer behavior well, it will help the bank in their management planning and enhance the customers by attracting customers from its competitors and overcome the problem of customers switching to other banks. A high stock of NPLs held by banks might impair the transmission of monetary policy or the banking system's contribution to economic recovery.

CHID bank is trying to success loan recovery system, to reduce loan default rate. In order to that, CHID Bank needs to know which customers make the loan default and to ensure that the loans issued to the bank's customers are repaid as per the schedule of the contract signed by the customer and bank, Therefore, this is the major reason of choosing the CHID Bank.

1.2 Objectives of the Study

The main objectives of the study are as follows:

- (1) To identify the non-performing loan recovery practices of CHID Bank and
- (2) To analyze the relationship between influencing factors and recovery of non-performing construction loan of CHID Bank.

1.3 Scope and Method of the Study

In this study, the descriptive research method is used and the sampling technique is the simple random sampling method. The method of study is focused on only four influencing factors which are loan appraisal, credit policy, the recovery procedure, and payment term. The primary data is collected by interviewing with a responsible person survey collected by using structured questionnaires which were distributed to 35 respondents whose from 70 percent loan and loan recovery department's 50 staffs of CHID Bank in Yangon. The secondary data is obtained from previous data of CHID Bank and other related sources.

1.4 Organization of the Study

There are five chapters in this study. Chapter (1) is Introduction which includes the rationale of the study, objectives of the study, method of the study and organization of the study. Chapter (2) describes theoretical frameworks concerned with non-performing loan recovery practices and factors influencing on non performing construction loan process. Chapter (3) represents the profile of CHID Bank, information about construction loan services provided by CHID Bank and recovery of non performing construction loan practices of CHID Bank. Chapter (4) consists of the data analysis of the factors influencing on non-performing loan recovery on a construction loan of CHID Bank. Finally, Chapter (5) describes the conclusion of the study which includes findings, recommendations, and needs for future research.

CHAPTER 2

THEORETICAL BACKGROUND

This chapter presents the definition of non-performing loan, Definition of recovery of non-performing loan, recovery procedure, Previous research of loan recovery on the bank, the conceptual framework of the study.

2.1 Definition of Non-performing Loan

Definition of non-performing loan is defined as those financial assets from which banks no longer receive interest and/or installment payments as initially or beforehand booked. A non-performing loan (NPL) is in default or close to being in default. Many loans become non-performing being in default after ninety days, but this can depend on the contract terms.

A non-performing loan (NPL) is a sum of borrowed money upon which the debtor has not made the scheduled payments for a specified term. While the exact elements of nonperformance status differ, depending on the specific loan's terms, "no payment" is usually defined as zero payments of either interest or principal. The specified term also differs, reliant on the business field and the type of loan. Generally, however, the term is ninety days or one hundred and eighty days.

A non-performing loan (NPL) is considered in default or close to default. Once a loan is nonperforming, the debtor will repay it in full are substantially lower. If the debtor resumes payments again on an NPL, it becomes a re-performing loan, even if the debtor has not caught up on all the missed payments.

In banking, commercial loans are considered as non-performing loan if the debtor has made zero payments of interest or principal within ninety days, or is ninety days past due. For a commercial loan, one hundred and eighty days past due classifies it as an NPL.

The main causes of NPL are high-interest rate, Low GDP, Poor credit appraisal, Inflation, unemployment, and improper lending pay out to borrowers. Non-performing loan is a negative impact on the business and financial institutions.

They referred to as non-performing loan because the loan ceases to generate income for the bank. As per Choudhury *et al.*, (2002), non-performing loan is not a

multiclass concept. This is mainly because non-performing loans can be classified into different varieties usually based on the duration it has been overdue.

Non-performing loans are viewed as a typically by-product of a financial crisis: they are not the main product of the lending function but rather an accidental occurrence of the lending process, one that has enormous potential to deepen the serious and duration of the financial crisis and to complicate macro-economic management (Woo, 2000). This is why non-performing loans can bring down investors' confidence in the banking system, piling up unproductive economic resources although depreciations are taken care of, and impeding the resource allocation process. In a bank-centered financial system, nonperforming loans can further thwart economic recovery by shrinking operation margin and corroding the capital base of the banks to advance new loans.

This is sometimes referred to as a credit crunch (Bernanke *et al.*, 1991). In addition, non-performing loans if created by the borrowers willingly and left unresolved, might act as a contagious financial malaise by driving good borrowers out of the financial market. Muniappan (2002) asserts that a bank with a high level of non-performing loans is forced to incur carrying costs on non-income yielding assets that not only strike at profitability but also at a bank's capital adequacy, and in consequence, the bank expressions difficulties in augmenting capital resources. Bonin and Huang (2001) indicate that the profitability of banking crises increases if the financial risk is not eliminated quickly. Such crises not only lower living standards but can also reduce many of the achievements of economic transform overnight.

2.2 Definition of Recovery of Non-Performing Loan

Banks earn generous profit from the interest on loans and then they provide loans to firms and people. As a result of decreasing liquidity and bad condition of macroeconomics, most of the firms and people are unable to pay and defaulting the loans. Default loans are also known as Non-performing loans (NPL) because the given loans no longer "perform". If interest on principal amount day past due by 90 days, the advances measured as NPL. We all know that loan performance is totally related to the business cycle. The rise in NPL is a warning indicator for any banking industry in the world to prevent the banking crisis.

In finance, the term recovery refers to a collection of the amount due. The normal recovery depends on the purpose, time and condition, business running process, etc. Normally loan amount will be recovered on an installment basis. ... Installment fixes on the salaried person on a monthly basis.

The period recovery refers to the collection of over dues and is recovered on an installment basis depending on the nature of the business. The policies for the recovery and collection do not permit following any method that hurts the dignity and respect of the customer. The reasonable practices are followed to collect the dues or recovery of the security and promote customer's confidence and the long-lasting relationship with the Bank. The recovery of the security aims to recover the dues in case of any defaults instead of any financial distress for the customer. The recovery only happens after many attempts and discussions with the customer to resolve the default situations. It's exclusion that the customer's financed asset is recovered by the bank. This only happens if the customer violates any of the terms and conditions of the loan agreement.

The literature of this study exposes that how bankers can overcome all these negative impacts and causes find the solution to go forward with credit growth extension plans. Recovery of NPLs discusses in the conceptual framework which indicates four independent variables (Loan Appraisal, Credit Policy, Recovery Procedure, and Payment Term) which have a significant relationship with NPL.

Loan recovery is defined as the process of regaining and saving something lost or in danger of becoming costs. Recovery is a key to the stability of the banking sector there should be no hesitation in stating that banks have done a remarkable job in the containment of Non-Performing Loan (NPL) considering the overall difficult environment. Recovery is also linked to the bank's interest margin's we must recognize that cost and recovery management supported by enabling the legal framework to hold the key to future health and competitiveness of the banks. No doubt, improving recovery procedure is an area requiring expeditions and effective actions in Legal institutional and judicial processes. In finance, recovery refers to the collection of the amount due. The normal recovery depends on the purpose, time and condition, business running process, etc. Normally loan amount will be recovered on

an installment basis. The manager can fix the installment period on the basis of the nature of their business.

In general, process of recovering amounts owed to a firm by its customers. In banking sector presentment of a check or draft for payment and, subsequently, receipt of its amount in cash or as a credit entry and transfer of delinquent or day past-due accounts to a collection agency (or a special department set up for the purpose) for full or partial recovery of the amount. Before making the recovery process following are prepare for recovery.

Initial loan appraisals determine whether a loan will be defaulted or not. The default mostly rises involves when customers use incorrect information or means to acquire loans from the lending institutions. These might also include accepting or giving securities whose values have been reduced and overstated. Some borrowers who might have fake their past business performance records in order to obtain loans would not be able to repay easily later. It can be ascertained from the above mentioned that initial loan appraisal includes the core seven ingredients of loan appraisal. This comprises of tests on Does the lender's business function well, the loan to be used according to the purpose, is there any credible proof, capacity, and cash flow to determine loaner's creditworthiness and the probability of loans default, business is improving, loan value and appraisal value are matches.

At the same time, the nature of credit policies including lending conditions and terms as well as lending procedures had the long term effect on loan default. The basic requirements a member will be required to meet to qualify for a loan in the institution determined whether or not that member would honor the loan repayment in the future. generous, stringent, and gentle credit policies had long-term consequences on the loan default. For instance, it is highly likely that lenient and liberal policies would almost automatically create a huge portfolio of loan defaults.

The loan recovery procedures employed by various banks can contribute to loans default to the greatest extent. Poor loan recovery procedures, for example, will create a huge portfolio of debt uncollected thus led to loans default and vice versa.

2.3 Construction Loan Recovery Procedure

According to the Central Bank, the loan is considered a non performing loan if it is more than 180 days without interest and principal repayment. In order to repay these loans, the bank has to discuss with the borrower, as follows:

1. The recovery officer read carefully the borrower's Case File and provide necessary documents and information. Proof of credit must be obtained from the credit department.
2. The loan officer discusses with the borrower the repayment status of the loan. Field inspections must be conducted.
3. Recovery officer; depending on the economic situation, you should consider whether or not you need to extend the loan in accordance with the bank's regulations and submit it to the head of the recovery.
4. To determine whether the collateral and the collateral of the borrower are legitimate, it is necessary to check whether the contract price and the current market price of the property are in line with the current market price.
5. Check the contract and materials from the borrower and, if appropriate, check the borrower's economic status, performance, morale, ability to repay, and find out the best and most feasible way to repay the loan. First and foremost, the best way is to pay back the interest rate and interest rate.
6. After the interest is repaid, the debt continues to be repaid. Payments are made in installments.
7. When a loan for restructuring, it must consider whether the borrower's current and future financial status should be considered and to determine whether or not to extend the loan.
8. The repayments of interest and capital are grouped by loan amount, so repayment is quick and easy.
9. Failure to submit a Repayment Plan to the Bank; If there is a failure to obtain a loan, it may be advisable to cover the costs and sue but to pay interest on the loan, so that it may be advised to sell the property to the bank before the suit is filed.

10. If clients are sued for failing to recover their loans, they will be able to explain to the borrower that they have a legal battle with the bank and that they are less likely to win.

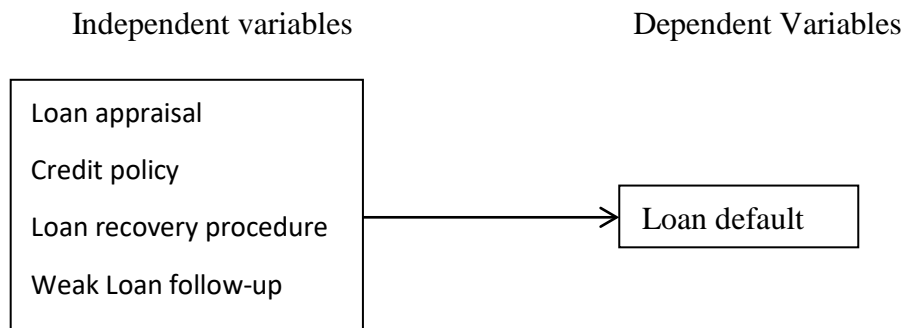
2.4 Previous Research of Non-Performing Loan Recovery on Bank

Talata Nsobilla (2015), Department of Accounting and Finance submitted a thesis to Department of Accounting and Finance Kwame Nkrumah University of Science and Technology School of Business in partial fulfillment of the requirements for the degree of master of business administration (finance -option) School of Business, KNUST College of Humanities and Social sciences, August 2015 is the effect of non-performing loans on the business performance of selected banks in the western and Ashanti regions of Ghana.

In this study, found that, the effect of non-performing loans on financial performance and the direction of the frequency of non-performing loans. Secondary data with the reference period of 2004-2013 were collected from six selected rural Banks in both the Ashanti and Western Regions of Ghana between. In this study used the Ordinary Least Square Regression (OLS) to estimate the effect of non-performing loans on financial performance. The polynomial function was employed to determine the trend of the occurrence of non-performing loans. The results of the OLS exposed that non-performing loans, cost-income ratio, loan recovered and total profit were all statistically significant at 1% significance levels respectively. The liquidity risk was not statistically significant. The non-performing loans and cost-income ratio had a negative impact on financial performance whereas total profit and loan recovered had a positive effect on financial performance. The polynomial trend analysis exposed that non-performing loans in all the selected banks showed an increasing trend. The study, recommends that; the six banks should improve their credit management so as to avoid the fall in their profitability.

Abay Zimbalchew (2006) submitted a thesis to the school of graduate studies of saint mary's university in partial fulfillment of the requirements for the master of business administration in accounting and finance, June 2015 Addis Ababa, Ethiopia is an assessment of loan recovery performance in construction and business bank (CBB).

The study which was conducted to assess the Loan Recovery Performance in the case of CBB shows that there are internal and external factors contributing to NPLs. From those internal factors ridged credit policy, no clear credit approval procedure and proper as well as week follow up to get back the loan given to the customers by the bank has a negative influence on the Loan recovery performance of the Bank. From that study, it was discovered that the unrecovered Loan amount improved year to year during the past three year which is from 2012 up to 2014. In this calculation, the Bank plan to NPL amount in June 2014 was Birr 61.9 million. However, the bank has reversely recoded Birr 131,704.8 million of NPLs which implies the bank has a high volume of loan to be collated as per the scheduled of the bank. Therefore, lead the Bank to the problem of cash flow which increased provision held. This also reduced the profitability of the Bank. Moreover, it affected capital adequacy and liquidity which could lead to a situation where the Bank would not be in a position of granting of the new facility and also increasing of recovery of non-performing Loans that incur other costs of the Bank that are associated with debit Recovery.



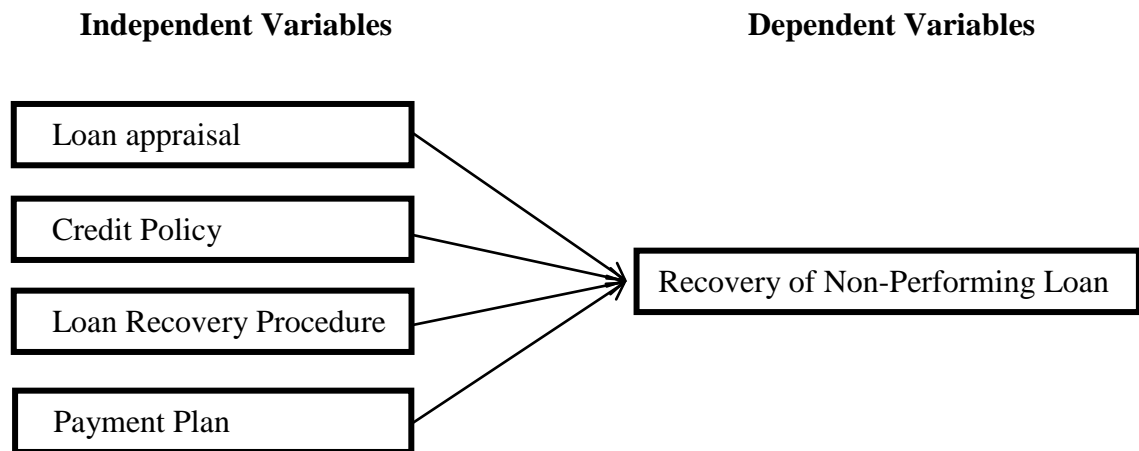
Source: Abay Zimbalchew (2006) and Talata Nsobilla (2015)

2.5 Conceptual Framework of the Study

This study provides a detailed information resource covering all the key data points on factors influencing the recovery of non performing construction loan of CHID Bank. The factors are categorized into loan appraisal, credit policy, recovery procedure and payment term on construction loan of CHID Bank. The conceptual framework shows how the variables were related. Loan appraisal, credit policy, recovery procedure, payment term are independent variable and recovery of

non- performing loan is dependent variable. The conceptual framework of the study is presented in Figure (2.1).

Figure (2.1) Conceptual Framework of the Study



Source: adapted by Abay Zimbalchew (2006) and Talata Nsobilla (2015)

This conceptual framework was adapted from Abay Zimbalchew, (2006), assessment of loan recovery performance in construction and business bank (cbb) and Talata Nsobilla, (2015), the effect of non-performing loans on the financial performance of selected rural banks in the western and Ashanti regions of Ghana.

CHAPTER 3

PROFILE OF CHID BANK AND RECOVERY OF NON PERFORMING CONSTRUCTION LOAN PRACTICES IN CHID BANK

This chapter includes the Background of CHID Bank, Vision, Mission, Value, and Objective of CHID Bank, Branches of CHID Bank, Construction Loan Provided by CHID bank and Recovery of Non-Performing Construction Loan Practices of CHID Bank.

3.1 Background of CHID Bank

Construction, Housing and Infrastructure Development Bank (former Construction and Housing Development Bank) was established as a Semi-Government Bank under the auspices of the Ministry of Construction since 11th January 2014. In order to fulfill the objectives of government home ownership scheme for all citizens, especially lower-middle-income and low-income people, it is required to introduce housing finance mechanisms for financing the rental housing, low-cost housing, and affordability housing. This is the key reason why CHID Bank was formed as a public company limited on 8th May 2013 by joint participation of the Government and Private Sector and started operation on 11th January 2014. The Authorized Capital of CHID Bank has been increased from MMK 100 billion to MMK 200 billion, and therefore the Paid-up Capital was increased to MMK 145.51 billion as of 30 September 2019.

In addition, by pooling up the resources of the Ministry of Construction and local private entrepreneurs, as an only bank to render effective housing financial management in the country. This is also to assist financing for all Regions and States Development Programmes and to open at least one branch bank in each Region and state. CHID Bank aims to give financial support to Construction and Housing Development, CHID Bank is now fulfilling the best to construction and housing mortgage loan. On the other hand, CHID Bank is also participating in the PPP system development for the provision of Government Employees Sales and Rental Housing to be constructed in all Regions and States.

The name “CHID Bank” was changed for the purpose of participating in financing inclusion not only to Construction and Housing Development, also to Infrastructure Development projects, both Public Infrastructure (Water supply, Sanitation, Electricity, Roads and Bridges) and Social Infrastructure (Basic Infrastructure, Schools, Clinics, Recreations, etc.). This is the reason for the word “I = Infrastructure” included in the bank’s name and changed from CHD bank to CHID Bank on June 17, 2018.

Infrastructure development is the key factor for Country’s Economic Growth. Due to macroeconomic and microeconomic growth, CHID Bank will contribute the best services in the socio-economic development of the country. Apart from the original aim to provide financial support to Housing Mortgage Loan, CHID Bank is now providing construction bridge loan to Social Infrastructure projects such as Schools, Clinics, Hospitals, Bridges, and roads which are carried out by the Region and States.

CHID Bank is also trying to get two-steps Foreign Loans from Foreign Governments, Organizations, and Banks. CHID Bank received JICA’s Housing Mortgage Loan, which is going to disburse all arrangement has been made. MLIT, JHF from Japan and Kookmin Bank are also working together with CHID Bank for training in Human Resource Capacity Building, Housing Finance Training and Information Technology Training.

3.2 Vision, Mission, Value and Objective of CHID Bank

Construction Housing and Infrastructure Development Bank Implement Mission, Value, Objectives for Union Government’s home ownership schemes for all citizens of the Union of Myanmar, which is to create homes for the general public, government staffs and pensioners who are facing difficulties in having a home, especially in delivering rental housing and low cost housing to low income people, general employees and government staffs.

Vision

To Facilitate the socio-economic life and upgrade the quality of living of the citizens by developing urban and housing sector to meet international standards and offering modernity and pleasantness.

Mission

-To realizes the potential for financial resources towards the development of construction, urban and housing sector.

-To enable the citizens to have a chance to own a house by increasing capital through the integration of the government's responsibility public's deposits and shares.

Value

For all people to gain and sustain to live in peace and dignity with happiness and joy.

Objectives

There are CHID Bank's four main objectives as follows:

- (1) To aggregate and facilitate potential financial (capital) investment, necessary to develop construction and housing sector, from both local and international, banks and financial institutions
- (2) To support the construction loans, housing loans and mortgage by providing short-term, mid-term and long-term loans
- (3) To implement plans to increase the number of public's deposits
- (4) To support to increase the amount of financial resources to broaden the international trading.

3.3 Branches of CHID Bank

CHID Bank has now operated with 16 branches opened date as shown in Table (3.1). Each branch opened at capital city of each state and region. Because most of construction and housing project at region and state capital city.

Table (3.1) Number of Branches of CHID Bank

No.	Opening Date	Branch Name
1.	16.1.2014	Botahtaung Branch
2.	11.2.2014	Dagon Branch
3.	26.3.2014	Naypyitaw Branch
4.	9.7.2014	Mandalay Branch
5.	29.10.2015	Pathein Branch
6.	23.2.2016	Mawlamyaing Branch
7.	16.5.2016	Mingalar Taung Nyunt Branch
8.	6.10.2016	Shwe Pauk Kan Branch
9.	29.3.2017	Magway Branch
10.	22.8.2017	Monywa Branch
11.	1.11.2017	Hpa-An Branch
12.	1.11.2017	Dawei Branch
13.	24.8.2019	Dagonseikkam Branch
14.	30.8.2019	Bago Branch
15.	28.11.2019	Myitkyina Branch
16.	18.12.2019	Loikaw Branch

Source: CHID Bank Annual Report

Moreover, CHID Bank has been planning to open new branches in States and Divisions where Department of Urban and Housing Development (DUHD) plans to implement housing project areas as follows:

- (1) Pyay (Bago Region)
- (2) Taunggyi (Shan State)
- (3) Hpalan (Chin State)
- (4) Sittwe (Rakhine State)

3.4 Construction Loan Provided by CHID Bank

CHID Bank is conducting banking services in accordance with the rules and regulations prescribed by the Central Bank of Myanmar. CHID Bank provides commercial banking services as well as development banking services. Currently, CHID Bank is providing Deposit, Loans, Remittance, Performance Bank Guarantee, Payment Order, ATM service, Money Changer, and International Banking Serviced services:

Loan service commenced on 29th May 2014. Loans are allowed in compliance with principles of lending and practice, Central Bank of Myanmar Law, Myanmar Financial Institutions Law, Rules and Regulations. The loan amount up to MMK 1000 million is approved by the Credit Committee and the loan amount exceeding MMK 1000 million is approved by the Board of Directors on scrutiny and recommendation of the Credit Committee. Risk Management Committee members also participate and discuss in Credit Committee Meetings.

For the purpose of housing sector development, CHID Bank is providing loans to both the housing developers (supply side) and the home buyers (demand side) of the housing sector).

Type of Construction Loan:

Construction Loan is provided to housing developers and landowners with the terms of one year and up to three years. A construction loan can be applied after completion of 30% of the Building / Project. CHID Bank shall be provided only 50% of Building / Construction Cost. In general, to apply for the construction loan, the customers have to submit Loan Application Form (which included the purpose of loan, loan amount, collateral and repayment plan), copy of National ID, Household Registration, Agreement on the collateral of wife/husband of the applicant. Especially, the building to be constructed by loan must be completed at least 30% during applying a loan in which the percentage of completion is confirmed and approved by the bank's assessor with the site visit.

Moreover, loan applicant needs to submit the agreement contract between Licensed contractor (or) licensed engineer and landowner, permission for building and Drawing BQ, construction Process, estimated cost of approved by an engineer, list of estimated sale for an apartment when the building is completed and commitment of No Pre-sale on this apartment.

In addition, the loan applicant also submits the photos of 30% completion of building and photos of land and building to be given as collateral in which land and building for collateral which is owned by the loan applicant or his/her family must be given for applying for the loan. Land without buildings (land only) is not allowed as collateral.

If the loan applicant is a developer, he or she also needs to submit a construction license, company registration certificate, MOA, AOA, Form 6, Form 26,

Form E, financial statements and tax receipts. A construction loan is also provided to Developers by Government Guarantee for the purpose of constructing the government projects by government tender in which the developers are selected by meeting the requirements with criteria. For these developers with DUHD guarantee, they have to apply with a letter of DUHD Guarantee and L-25 Guarantee, company meeting resolution, company registration certificate, MOA, AOA, Form 6, Form 26, Form E, contractor license issued by DUHD, contract agreement between DUHD and the developer, and tax receipts.

Bridge Loan is one kind of construction loan that is provided to developers who got the tender project of Regions and States by Union Budget within the Tender Contract Term. The relevant branches of relevant Regions and States that provide a bridge loan to developers. To apply bridge loan, the loan applicant have to submit loan application with company letterhead, MOA, AOA, Form 6, Form 26, Form E, company registration certificate, letter of commitment for not applying loan on this tender in other banks, letter of Commitment for not appointing sub-contract, contract agreement between the department and the company, MCEA member registration certificate, withholding tax, commercial tax, and income tax receipts, photo of project current completion and Commitment of payment for Tender project of the department is deposited to the account of CHID Bank in Myanma Economic Bank. Construction is completed at least 10%, the loan is provided up to 40% of the project depend on the guarantee for completion percentage. Performance guarantee in which interest rate is 11% for CHID Bank's performance guarantee and interest is 13% for other bank performance guarantee.

Interest rates depend on types of the construction loan. The interest rate of a bridge loan is lower than that of housing loans. Because bridge loan is provided for government tender project by union budget and supported to the developers for their construction run smoothly. Interest must be paid quarterly without delinquency. The following table shows the interest rates of CHID Bank. The interest rate of construction loans is two types, one is housing loan, the interest rate is 12 percent plus 1 percent service charges and another one is a bridge loan, the interest rate is 13 percent.

Term of Construction Loan

The terms of construction loan are classified as one year (short term) and three years (so-called term loan). The structure of the Term loan type is to pay the only interest by quarterly in the first year and in the last two years, both principal and interest must be paid.

Construction Loan Policy

Lending, being the prime motive of income of the branch, is the business of facing the majority of the risk that it needs to be carried out systematically by setting out credit policies. These lending policies are to enable the citizens to have a chance to own a house by increasing capital through the integration of the Government's responsibility, to facilitate the public, Government staffs, pensioners, needy persons for apartment and those who are struggling to meet their needs from the misery of homelessness, implementation of affordable and low-cost housing projects will be provided by means of consecutive financial aid, to aggregate and facilitate potential and financial investment necessary to develop state Budget for construction and housing sector, to provide Supply-side financing and Demand-side financing with share contribution of government and private businesses, public deposits and two-step loan from local and abroad, commercial loan for Working Capital Requirement, which is essential for the State economic development, is financed although it is not the prime motive of the bank, to realize the potential for financial resources towards the development of construction, urban and housing sector by categorizing separate items in Sources of Funds.

Construction Loan Application Procedure

Customers submit the loan application and the requirements to the Loan Department of CHID Bank. The loan department checks these documents and delivers some documents regarding the collateral of land and building contracts to the Legal Department and project evaluation department for checking on these documents. After that, On-Site Visit Team investigate the building as collateral, the borrower's business condition, and other situations.

After the site visit is completed, the assessor report, legal report, and report of analysis on the borrower are submitted to Senior Management. After these stages are completed, the credit officer makes necessary preparations to submit the Risk Management Committee and Credit Committee for Loan Sanction. Risk Management Committee evaluates these loan cases and gives the comments to Credit Committee whether the loan should lend or not. The risk management committee does not decide on loan sanction. Credit Committee considers the comments of the Risk Management Committee and decide for the loan should be approved or not. Credit Committee Meeting must be held jointly the meeting with the Risk Management Committee for Loan amount up to 1 billion kyats. If the loan amount exceeds 1 billion kyats, it must be presented to the meeting of the Board of Directors.

The five main considerations must always be at the back of the mind of those who control the destinies of banks, but those who do the actual lending will be concerned with the application of these factors to individual cases and will apply them the following headings: repayment (capacity and willingness to repay), security offered (collateral) as Second Line of defense, character of the borrower and his general financial position and reputation, stability of Capital and purpose of the advance and environmental condition in relation to this purpose.

3.5 Non-Performing Construction Loan Recovery Practices of CHID Bank

Loans exceeding 180 days are considered non-performing loans. In order to recover these loans, the Bank has to set up a Loan Recovery Department, in which the department has to negotiate with the Bank's creditors and negotiate loan repayment methods and plans. The recovery staff read the borrower's Case File and provides necessary information and document. Proof of credit must be obtained from the credit department. The loan officer will discuss with the borrower the repayment status of the loan. Field inspections must be conducted.

The value of the collateral and the current market price at the time of the loan repayment process is calculated. In addition, we have to review the strength of the contracts. The creditworthiness of the borrower is reviewed, the ability to repay the loan, and the moral character of the borrower.

Failure to submit a Repayment Plan to the Bank; If there is a failure to obtain a loan, it may be advisable to cover the costs and sue but to pay interest on the loan, so

that it may be advised to sell the property to the bank before the suit is filed. If clients are sued for failing to recover their loans, they will be able to explain to the borrower that they have a legal battle with the bank and that they are less likely to win.

Regular loans with interest payments are always monitored and monitored for regular interest rates. Further adjustments were made to repay the capital. If there is a large amount of repayment before the repayment, the groups must be identified according to the amount of capital, and the group must discuss how to repay. Loans must be repaid in accordance with prescribed methods. The repayment process must be followed by rules issued by the Central Bank.

The Bank reclassify the loan as a regular loan after it has repaid all principal or interest on the loan that has failed to pay its principal and interest. However, the repayments shall not be deemed to have originated from the Bank for any new loans or debts. Under the terms of the loan repayment plan, a negotiated loan can be negotiated first to repay the interest on the loan, and seek ways to repay all the interest. Only when the two parties have reached an agreement, repayment of the interest is due.

While the recovery process making needs to check the principle of risk avoidance, diversification, liquidity and customer's character, capital, condition, capacity to repay, collateral, compliance. In order to repay these loans, the bank has to discuss with the borrower and do step by step.

Proof of credit must be obtained from the credit department and discuss with the borrower the repayment status of the loan. Field inspections must be conducted. When the borrower wants to extend the loan period it is depending on the economic situation and who should consider whether or not and need to extend the loan in accordance with the bank's regulations and submit it to the head of the recovery department.

Check to determine whether the collateral and the collateral of the borrower are legitimate, it is necessary to check whether the contract price and the current market price of the property are in line with the current market price. Check the contract and materials from the borrower and, if appropriate, check the borrower's economic status, performance, morale, ability to repay, and find out the best and most feasible way to repay the loan. First and foremost, the best way is to pay back the interest rate and interest rate. After the interest is repaid, the debt continues to be repaid. Payments are made in installments.

When a loan for restructuring, the borrower's current and future financial status should be considered and to determine whether or not to expend the loan. The repayments of interest and capital are grouped by loan amount, so repayment is quick and easy. Failure to submit a Repayment Plan to the Bank; If there is a failure to obtain a loan, it may be advisable to cover the costs and sue but to pay interest on the loan, so that it may be advised to sell the property to the bank before the suit is filed. If clients are sued for failing to recover their loans, they will be able to explain to the borrower that they have a legal battle with the bank and that they are less likely to win.

The effect of non-performing construction loan recover is Bank's revenue growth has increased as it seeks to recover defaulted loans. The trust of customers has also improved, and the bank has a good reputation. Having a good reputation and credibility will enable you to succeed in your future banking operations. Shareholders will be able to make profits and share bonuses for bank employees. The Bank's lending rate could be reduced by less than 5%. Shareholders and Bank's Staff get profit and motivation when getting dividends and bonuses.

CHAPTER 4

ANALYSIS ON RELATIONSHIP BETWEEN INFLUENCING FACTORS AND RECOVERY OF NON PERFORMING CONSTRUCTION LOAN OF CHID BANK

This chapter includes Research Design, Demographic Profile of Respondents, Analysis of Influencing Factors on Recovery of Non-Performing Construction Loan of CHID Bank, Relationship Between The Influencing Factors and Recovery of Non-Performing Construction Loan of CHID Bank

4.1 Research Design

The main purposes of this study are to identify the non-performing loan recovery practices and to analyze the influencing factors on recovery of non-performing construction loan of CHID Bank. In this study, descriptive method is used. The method of the study is based on both primary and secondary data and adapted the questionnaires from various past studied related to the topic and mainly used “Likert” scale measurement for all the variables created in the proposed theoretical framework. A simple size of 35 respondents whose from 70 percent loan and loan recovery department’s 50 staffs of CHID Bank in Yangon was used and simple random sampling method was adopted for this study. The respondents are the middle management and operation staffs from loan and loan recovery department of CHID Bank. The target is reasonable because good awareness of loan and loan recovery management and operation level.

The questionnaire has been dividing into three sections where by Section A focus demographic characteristics of participants, Section B focus on recovery of non-performing construction loan practices, and Section C focus on influencing on recovery of non-performing construction loan. In this study, the measurement of variables are four independent variables, loan appraisal, credit policy, the recovery procedure, and payment term, and one dependent variable is recovery of non-performing construction loan of CHID Bank. After collecting and encoding the data,

frequency and descriptive measure, Cronbach Alpha for checking internal consistency, and relationship between factor influencing and recovery of non-performing construction loan of CHID Bank to analyze the research objective as a statistical tool are used in this study.

4.2 Demographic Profile of Respondents

Demographic information compared between subgroups of respondents how to vary the responses are. The study sampled fifty participants who are working in the middle and sub middle management level in the loan organization of CHID Bank. A sample size of 35 respondents from 70 percent loan and loan recovery department's 50 staffs of CHID Bank in Yangon. The demographic profile included five factors such as gender, age, position, education level, working experiences in the loan organization of CHID Bank. Each characteristic has been analyzed in terms of frequency and percentage. The summary of demographic profile data is presented as follows sections.

4.2.1 Gender of Respondents

Respondent by gender is classified into male and female as shown in Table (4.1).

Table (4.1) Gender of Respondents

Gender	Frequency	Percentage
Male	18	51.4
Female	17	48.6
Total	35	100.0

Source: Survey Data, 2019

By the information of gender composition in Table (4.1), it was found that 18 female and 17 male in the study. In terms of percentage, male respondents have been 51.4 percent while female respondents cover 48.6 percent in the study. It is found that gender balance and there was no influential between male staff and female staff perception of the study.

4.2.2 Age Group of Respondents

The age of respondents is divided into four groups which are presented in Table (4.2). The age groups are 18 to 30 years, 31 to 40 years, 41 to 50 years, and over 51 to 60 years. Table (4.2) summarizes the result of the age of the respondent staff.

Table (4.2) Age of Respondents

Age (in Years)	Frequency	Percentage
18 to 30	19	54.3
31 to 40	9	25.7
41 to 50	5	14.3
51 to 60	2	5.7
Total	35	100.0

Source: Survey Data, 2019

According to the analysis of the age of the respondents, it is found that the age group 18-30 years includes 19 respondents, 31-40 years includes 40 respondents, 41-50 years includes 5 respondents and 51-60 years includes 2 respondents. The respondents were asked to indicate their age 53.4 % who were the majority were between the age of 18-30 and 51-60 years' age group shares the smallest with 5.7 percent. From that age analysis, the matured age group of between 31 and 40 years old. This shows that most of the respondents of loan recovery staff are between age 18-30 and age 31-40 in this study.

4.2.3 Education Level of Respondents

Education level of respondents is divided into two groups which consists of graduate and Master Degree.

Table (4.3) Education Level of Respondents

Education	Frequency	Percentage
Graduate	30	85.7
Master Degree	5	14.3
Total	35	100.0

Source: Survey Data, 2019

Regarding the results of the analysis, it is found that 30 respondents are University degree holders, 5 respondents are Master's degree holders. In terms of percentage, University degree holders are account for the largest portion with 85.7 percent and Master degree holders are the second largest with 14.3 percent. This shows that the respondents were well educated.

4.2.4 Position of Respondents

The position of the respondents is one of the key factors for demographic profile data in the survey. Perspective on the policy, procedures, and practices will vary upon the position. In the analysis of the position of respondents, there are eight categories from fourteen levels based on their organizational structures. In this survey, the Staff is from Junior Banking Assistant to Deputy General Manager from CHID Bank's Loan organizations and they are daily in touch with the loan recovery practices. Table 4.3 summarized the result of the position of respondents as follows.

Regarding to summary of Table 4.3, it is found that out of 35 respondents, 10 are JBA(Junior Banking Assistant), 3 are SBA(Senior Banking Assistant), 6 are AS(Assistant Supervisor), 6 are S(Supervisor), 6 are AM(Assistant Manager), 2 are DyM(Deputy Manager), 1 are AGM(Assistant General Manager), 1 are DGM(Deputy General Manager). In the term of percentage, Junior Banking Assistant is the largest portion with 28.6 percent, AS, S, AM are second largest potion with 17.1 percent.

Table (4.4) Position of Respondents

Position	Frequency	Percentage
Junior Banking Assistant	10	28.6
Senior Banking Assistant	3	8.6
Assistant Supervisor	6	17.1
Supervisor	6	17.1
Assistant Manager	6	17.1
Deputy Manager	2	5.7
Assistant General Manager	1	2.9
Deputy General Manager	1	2.9
Total	35	100.0

Source: Survey Data, 2019.

There was a divide into eight portions such as Assistant Supervisor, Supervisor and Assistant Manager are percentage shares equal. Junior Banking Assistant is the largest percentage of the group. From the survey result, the responses on the survey questions for loan recovery practices and non-performing loan recovery performance of CHID Bank from the operation management level view.

4.2.5 Loan Recovery Experience of Respondents

Survey for loan recovery experiences in their organizations focus on the relevant working experiences in their field and having understandable on the survey objectives. The analysis of loan recovery experiences was group into three: below 1 year, 1-5 years, 6-10 years. Table 4.6 reports on the results of the analysis on the loan recovery experiences of the respondents as follows.

Table (4.5) Loan Recovery Experience of Respondents

Experience (Years)	Frequency	Percentage
Under 1 Year	16	45.7
1 to 5	16	45.7
6 to 10	3	8.6
Total	35	100.0

Source: Survey Data, 2019

According to Table (4.6) show under 1 year is 45.7 percent, 1-5 years is 45.7 whose are the largest group of respondents, 6- 10 year is the second-largest group of respondents. This indicates under one year and 1-5 years loan recovery experience of respondents who are the largest groups of loan recovery experience in CHID Bank's loan organization.

4.3 Analysis of Influencing Factors on Recovery of Non-Performing Construction Loan of CHID Bank

In this section is analysis of influencing factors on recovery of non-performing construction loan of CHID Bank and these have four main dimensions which are based on loan recovery process main pillars. They are loan appraisal, credit policy, recovery procedure, and payment term. Those dimensions are measured by a

mean value and standard deviation. The findings are presented and discussed as follows.

a. Loan Appraisal

In this section, the loan appraisal influencing on loan recovery of CHID Bank and were analyzed by using six elements such as The mean score of each statement is shown in Table 4.6 as follows. In the analysis of the influencing about loan appraisal, Table 4.6 reports that the mean score for loan appraisal in the construction loan of CHID is 3.27, indicating that there has good loan appraisal of construction loan of CHID Bank as a core value of non-performing loan recovery practices.

The highest mean score is 3.49 (standard deviation of 0.818). This highest number indicates for good agreement of preparing non-performing loan recovery.

Table (4.6) Loan Appraisal

No	Statement	Mean	Std. Dev.
1	The two sides agreed to pay back the treaty.	3.43	.608
2	Bank has a solid warranty from our customer.	3.49	.818
3	Always in constant touch with the borrower.	3.20	.797
4	There are set to force sale price on the collateral.	3.11	.796
5	Advocacy and action are taken for failure to pay interest.	3.11	.530
6	Force sale price on the collateral is reset annually.	3.26	.611
Overall Mean Scores		3.27	

Source: Survey Data, 2019

The respondents understand that the rules and procedures of loan appraisal enhance their accountability to their non-performing loan recovery process and beneficiaries which also builds respect for and confidence in their CHID Bank, improving their chances for long-term financial health. This is one of the main factors to achieve non-performing loan recovery functions.

The lowest score is found that at “It is important to the loan recovery process go beyond the legal requirements and ethical actions as well.” the mean value is 3.11 (standard deviation proximally 0.796).

b. Credit Policy

In this section, the credit policy influencing on loan recovery of CHID Bank was analyzed by using six elements and the main score of each element is shown in Table 4.7 as follows.

Table (4.7) Credit Policy

No	Statement	Mean	Std. Dev.
1	Non-performing loans are classified as doubtful (over ninety days), loss (over 181 days of failure).	3.29	1.017
2	Issuance of the loan repayment notice to those who have failed by loan default.	3.46	.701
3	The loan repayment process follows a variety of ways negotiate with the borrower in various ways.	3.23	.843
4	The repayment of interest and capital is paid off by the amortization method within three years.	3.46	.950
5	The repayment of the loan is divided into four sections.	3.23	.770
6	During the loan repayment period, we are constantly in contact with the lender so that no legal action can be taken for default them.	3.20	.531
Overall Mean Scores		3.31	

Source: Survey Data, 2019

In the analysis of the credit policy section, Table 4.7 reports that the mean score for credit policy in the non-performing loan recovery in CHID Bank is 3.31, indicating that there has well in credit policy of the CHID Bank non-performing loan recovery as a core value of credit policy practices. On the statements relating to the policy of credit policy in the CHID Bank was found the highest mean score is 3.46 (standard deviation 0.950).

This highest number indicates the non-performing loan recovery prepared credit policy for loan recovery management was to a great extent. They all are used to

be taking care when default loan recovery achievement. It is showing that the management and recovery staff are good experiences in working with loan borrowers.

The lowest score is found that they are caring for credit policy decisions the indication is showing with the mean value 3.20 (standard deviation 0.531). The respondents could describe their non-performing loan recovery.

c. Recovery Procedure

In this section, the recovery procedure influencing on loan recovery of CHID Bank was analyzed by using seven elements and the main score of each element is shown in Table 4.8 as follows.

Table (4.8) Recovery Procedure

No	Statement	Mean	Std. Dev.
1	If the borrower has more than 90 days to pay the interest, the recovery department must obtain the loan file from the relevant branch for interest recovery.	3.26	.561
2	The Recovery Officer read carefully the borrower's Case File and provides necessary information and document. Proof of credit must be obtained from the credit department.	3.20	.797
3	The loan officer discusses with the borrower the repayment status of the loan. Field inspections must be conducted.	3.23	.598
4	Recovery Officer; Depending on the economic situation, customers should consider whether or not you need to extend the loan following the bank's regulations and submit it to the Head of Recovery.	3.34	.639
5	When a loan for restructuring, it must consider whether the borrower's current and future financial status must be considered and to determine whether or not to extend the loan.	3.40	.651
6	Failure to submit a Repayment Plan to the Bank; If there is a failure to obtain a loan, it may be advisable to cover the costs and sue but to pay interest on the loan, so that it may be advised to sell the property to the bank before the suit is filed.	3.57	.739
7	If clients are sued for failing to recover their loans, they will be able to explain to the borrower that they have a legal battle with the bank and that they are less likely to win.	3.43	.655
Overall Mean Scores		3.35	

Source: Survey Data, 2019

In the analysis of recovery procedure section, Table 4.8 reports that the mean score for recovery procedure in the non-performing loan recovery in CHID Bank is 3.35, indicating that there has well in recovery procedure of the CHID Bank's non-performing loan recovery process. On the statements relating to the recovery procedure in the CHID Bank was found the highest mean score is 3.46 (standard deviation 0.950).

This highest number indicates the non-performing loan recovery prepared credit policy for loan recovery management was to a great extent. They all are used to be taking care when default loan recovery achievement. It is showing that the management and recovery staff are good experiences in working with loan borrowers.

The lowest score is found that they are caring for credit policy decisions the indication is showing with the mean value 3.20 (standard deviation 0.531). The respondents could describe their non-performing loan recovery.

d. Payment Term

In this section, the payment term and practice on non-performing loan recovery procedure were analyzed by using three elements and the main score of each element is shown in Table 4.9 as follows.

Table (4.9) Payment Term

No	Statement	Mean	Std. Dev.
1	Approval of loan repayment agreements Agrees to assist with loan repayment.	3.34	.684
2	The loan repayment process did not go to legal proceedings.	3.31	.631
3	Bank makes provision for the loan at the end of the period.	3.66	.838
Overall Mean Scores		3.44	

Source: Survey Data, 2019

In the analysis of payment term section, Table 4.9 reports that the mean score for payment term in the non-performing loan recovery in CHID Bank is 3.44, indicating that there has well in payment terms of the CHID Bank's non-performing

loan recovery process. On the statements relating to the payment term in the CHID Bank was found the highest mean score is 3.66 (standard deviation 0.838).

This highest number indicates the non-performing loan recovery's payment term prepared for loan recovery management was to a great extent. They all are used to be taking care for when default loan recovery achievement. It is showing that the staff is good experiences in working with loan borrowers. The lowest score is found that they are caring for payment term decision the indication is showing with the mean value 3.31 (standard deviation 0.631). The respondents could describe their non-performing loan recovery.

e. Recovery of Non-Performing Loan

In this section, the recovery of non-performing loan analyzed by using three elements and the main score of each element is shown in Table 4.10 as follows.

Table (4.10) Recovery of Non-Performing Loan

No	Statement	Mean	Std. Dev.
1	After the recovery of the loans, it is expected to fall below 5% of NPL.	3.46	.701
2	Loan repayment practices can help the bank fall below the 5% threshold and strengthen the capital.	3.83	.822
3	Share dividends for shareholders and rewards for bank employees.	3.97	.785
Overall Mean Scores		3.75	

Source: Survey Data, 2019

In the analysis of recovery of non-performing loan section, Table 4.10 reports that the mean score for recovery of non-performing loan in CHID Bank is 3.75, indicating that the CHID Bank's non-performing loan recovery process gets well achievement. On the statements relating to the recovery of non-performing loan in the CHID Bank was found the highest mean score is 3.97 (standard deviation 0.785).

This highest number indicates the recovery of non-performing loan was to achieve a great extent. They all are used to be taking care when recovery of

non-performing loan achievement. It is showing that the CHID Bank gets well achievement at the end of the budget.

The lowest score is found that they are caring for loan recovery field experience the indication is showing with the mean value 3.46 (standard deviation 0.701). The respondents could describe the experience of their non-performing loan recovery.

4.4 Relationship Between The Influencing Factors and Recovery of Non Performing Construction Loan of CHID Bank

This study used Likert scales and it needs to be checked their reliability. The reliability of a scale is defined as its ability to consistently measure the phenomenon it is designed to measure. Observing the internal consistency of the test enables the researcher to define which item is not consistent with the test in measuring the phenomenon under investigation. The object is to remove the incompatible items and improve the internal consistency of the test.

In this study, Cronbach's alpha value is used as a measure of the internal consistency of the scales and used in the questionnaire. Cronbach's alpha is a single correlation coefficient that is an approximation of the average of all the correlation coefficients of the items within a test. If the Cronbach's alpha value is high, then this suggests that all the items are reliable, and the entire test is internally consistent. If Cronbach's alpha is low, then at least one of the items is unreliable and must be identified via item analysis procedure. However, as per (DeVellis, 2003), Cronbach's alpha value should ideally be above 0.7.

Table (4.11) Result of Cronbach's Alpha Value

Practices	Type of Scale	No. of Items	Cronbach's Alpha Value
Loan Appraisal	5-point Likert	6	0.816
Credit Policy	5-point Likert	6	0.805
Recovery Procedure	5-point Likert	7	1.003
Payment Plan	5-point Likert	3	0.782
Recovery of Non Performance Loan	5-point Likert	3	0.629

Source: Survey Results, 2019

The results of the Cronbach's alpha value are between 0.629 and 1.003, suggesting very good internal consistency and reliability for the scale with this sample.

In this section, the payment term and practice on performance of non-performing loan recovery were analyzed by using three elements and the main score of each element is shown in Table 4.12 as follows.

Table (4.12) Relationship Between Influencing Factors and Recovery of Non-Performing Construction Loan of CHID Bank

Influencing factors		Recovery of NPL
Loan Appraisal	Pearson Correlation	.417**
	Sig. (2-tailed)	.006
Credit Policy	Pearson Correlation	.438**
	Sig. (2-tailed)	.004
Recovery Procedure	Pearson Correlation	.567**
	Sig. (2-tailed)	.000
Payment Plan	Pearson Correlation	.381*
	Sig. (2-tailed)	.012

Source: Survey Data, 2019

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

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

According to Table (4.12) show loan appraisal, credit policy and recovery procedure are correlation significant level is 0.01. It is mean these three practice's significant levels are more than the payment term's significant level. The relationship between influencing factors and recovery of non-performing construction loan is good. The most relationship is recovery procedure on recovery of non-performing construction loan. At the same time influencing of payment plan is less influencing than other influencing factors. But all influencing factors are good relationship on recovery of non-performing construction loan in CHID Bank.

CHAPTER 5

CONCLUSION

In this chapter, there are two parts included. The first part is findings, it represents why this study was conducted, what factors are influencing on recovery of non-performing construction loan and how the identified on the recovery of non-performing loan practices on CHID Bank. The second part is the suggestions and needs for future research.

5.1 Findings

In this study identify influencing factors practices on recovery of non-performing construction loan of CHID Bank. In the service industry, especially the banking industry which is lending loans to customers needs to know the influencing factors on recovery of non-performing construction loan. In this study finding, loan appraisal, credit policy, recovery procedure and payment term are non-performing loan recovery best practices of CHID Bank. Therefore, the banks have been trying to recover from loan default by above influencing factors practices and build future recovery plan with better recovery procedures, perfect loan appraisal, strong credit policy and good payment term management.

This study focuses on and finds out the influencing factors on recovery of non-performing construction loan of CHID Bank. All loan recovery practices are good for influencing factors for recovery of non-performing construction loan of CHID Bank. These influencing factors needs more improve, reliable and strong but these practices are also important in recovery of non-performing construction loan of CHID Bank.

In this study, between recovery procedure practices and recovery of non-performing construction loan have a strong relationship. The recovery procedure is more influencing on recovery of non-performing construction loan. Loan appraisal, credit policy, payment term are also influencing on recovery of non-performing construction loan. These influencing factors are relationship and strong influencing on recovery of non-performing construction loan of CHID Bank.

In this study, important finding is weak practice and less influencing of loan appraisal on recovery of non-performing construction loan of CHID Bank. Therefore,

need to reconfigure of loan appraisal process and get same practice and influencing of credit policy, recovery procedure and payment term.

5.2 Suggestions

After reviewing the findings of this study, the following recommendations and suggestions are proposed to the banking sector in order to improve the construction loan and other services provided by CHID Bank.

CHID Bank should maintain the current conditions of the recovery procedure, loan appraisal, credit policy, and payment term and need to review and modify them for every year by suitable CHID Bank's situation. In loan appraisal, force to sale value on the collateral is needed to reviewed. If result is different when taking loan recovery time can't get the real loan capital amount. In credit policy, bank explains to customer complete loan repayment procedure and to avoid legal action when not complete loan repayment. In recovery procedure, bank should do on ground check for contract price, material and revalue force sale value annually for take legal action. In recovery procedure, bank always check borrower's status, current business condition, has regular interest payment and on ground situation. In payment term, bank always keeps in touch with customer for success recovery procedure. In payment term, banks never go to legal step action because customer can lost their ownership. Loan appraisal, credit policy, recovery procedure and payment term are main essential practices and influence factors on recovery of non-performing construction loan. The bank needs identify others recovery practice and influencing factor for recovery of non-performing construction loan.

In addition, CHID Bank should upgrade and modify this recovery of non-performing construction loan system with strong loan policy and procedures and classify the level of loan customers by establishing customer database and analyzing and using an internal and external credit rating system to assess the risk level of borrowers.

5.3 Needs for Further Study

This study is focused and emphasized on the factors influencing on recovery of non-performing construction loan of CHID Bank. It is surveyed with 35

respondents whose from 70 percent loan and loan recovery department's 50 staffs of CHID Bank. Therefore, it is recommended to do future research relating to the recovery of NPL loan system improvement.

Moreover, this research studies for CHID Bank but in the future, further recovery system and loan default reducing research should study for the other Banks and financial sector. And also, further study is needed to find out easy to recover and prevent loan default and reduce loan default rate on banking and financial sectors.

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Date:

RECOVERY OF NON PERFORMING LOAN IN CHID BANK**Section A: RESPONDENTS PROFILE**

1. Name
2. Position of Respondent
3. Gender
4. Age
5. Please indicate your highest level of education attained

Under Graduate	[]
College Diploma	[]
Graduate	[]
Master Degree	[]
PhD Degree	[]

6. Number of years of experience in Banking sector.....
7. Number of years in loan appraisal sector.....
8. Number of years of experience in Loan Credit Policy sector.....
9. Number of years of experience in Loan Recovery sector.....
10. Number of years of experience in Loan Payment Term sector.....

Please Fill the right mark in following tables and select based on using a scale of 1-5 where 1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree, 5 Strongly Agree.

အောက်ဖော်ပြပါ ဇယားများတွင် မေးခွန်းများ၏ ညာဖက်ကွက်လပ်ရှိ ၁ မှ ၅ အတွင်း (၁ လုံးဝသဘောမတူပါ၊ ၂ သဘောမတူပါ၊ ၃ ကြားနေဖြစ်ပါသည်၊ ၄ သဘောတူပါသည်၊ ၅ လုံးဝသဘောတူပါသည်)မှ တစ်ခုကို အမှန်ဖြစ်ဖြင့် ရွေးချယ် ပေးနိုင်ပါရန်မေတ္တာရပ်ခံ အပ်ပါသည်။

Section (B) Recovery of Non-Performing loan Practices

Loan Appraisal						
Sr.	Statement	Agreement Level				
		1	2	3	4	5
1	The two sides agreed to pay back the treaty (ချေးငွေပြန်လည်ပေးဆပ်ရန် နှစ်ဖက်သဘောတူပဋိညာဉ်စာချုပ် ချုပ်ဆိုထားပါသည်)	1	2	3	4	5
2	We have a solid warranty from our customers (customer ထံမှခိုင်မာသောအာမခံပစ္စည်း ရယူ ထားပါသည်)	1	2	3	4	5
3	Always in constant touch with the borrower (ငွေချေးသူနှင့်အစဉ်အမြဲမပြတ်အကဲဖြတ်ထိတွေ့မှုရှိပါသည်)	1	2	3	4	5
4	There are set to force sale price on the collateral (အာမခံပစ္စည်းအပေါ် အတင်းအကြပ် ရောင်းဈေးသတ်မှတ်ထား ရှိပါသည်)	1	2	3	4	5
5	Advocacy and action is taken for failure to pay interest (အတိုးအရင်းပေးဆပ်ရန်ပျက်ကွက်မှုများအတွက် ကြိုတင် သတိပေးခြင်းနှင့်အရေးယူခြင်းများပြုလုပ်ရန်ဆောင်ရွက်ထားပါ သည်)	1	2	3	4	5
6	Force sale price on the collateral is reset annually (အာမခံပစ္စည်းအပေါ် အတင်းအကြပ် ရောင်းဈေးအား တစ်နှစ် တစ်ကြိမ်ပြန်လည်သတ်မှတ်ပါသည်)	1	2	3	4	5

Credit Policy						
Sr.	Statement	Agreement Level				
		1	2	3	4	5
1	Non-performing loans are classified as doubtful (over ninety days), loss (over 181 days of failure). (ပျက်ကွက်ချေးငွေအဆင့်ကို doubtful(ပျက်ကွက်ရက် ၉၁ရက်ကျော်), loss(ပျက်ကွက်ရက် ၁၈၁ ရက်ကျော်) ဟု အဆင့်များ ခွဲခြားသတ်မှတ်ပါသည်)	1	2	3	4	5
2	Issuance of the loan repayment notice to those who have failed by loan default (ပျက်ကွက်ချေးငွေအဆင့်အလိုက် ချေးငွေပျက်ကွက်သူများထံသို့ ချေးငွေပြန်လည်ပေးဆပ်ရန် သတိပေးစာများ ထုတ်ပြန်ပါသည်)	1	2	3	4	5
3	The loan repayment process follows a variety of ways negotiate with the borrower in various ways. (ပျက်ကွက်ချေးငွေအလိုက်ချေးငွေပြန်လည်ပေးဆပ်ရန်နည်း လမ်းများကို ငွေချေးသူနှင့် ဆွေးနွေးခြင်းအား နည်းလမ်းပေါင်းစုံဖြင့် ဆောင်ရွက်ပါသည်)	1	2	3	4	5
4	The repayment of interest and capital is paid off by the amortization method within three years.(ချေးငွေပြန်လည်ပေးဆပ်ရာတွင်အတိုးနှင့်အရင်းကို(၃)နှစ်အတွင်း amortization method ဖြင့်အကြေးပေးဆပ်ပါသည်)	1	2	3	4	5
၅	The repayment of the loan is divided into four sections (ချေးငွေပြန်လည်ပေးဆပ်ရာတွင်အရစ်(၄)ရစ်ခွဲခြား၍ပေးဆပ်ပါသည်)	1	2	3	4	5
6	During the loan repayment period, we are constantly in contact with the lender so that no legal action can be taken for default them. (ချေးငွေပြန်လည်ပေးဆပ်နေစဉ် ပျက်ကွက်မှုကြောင့် ဥပဒေ အရ အရေးယူရခြင်း မရှိစေရန်အတွက် ချေးငွေပေးဆပ်နေသူနှင့် အမြဲမပြတ် ထိတွေ့ကြီးကြပ်ဆောင်ရွက်ပါသည်)	1	2	3	4	5

Recovery Procedure						
Sr.	Statement	Agreement Level				
		1	2	3	4	5
1	If the borrower has more than 90 days to pay the interest, the recovery department must obtain the loan file from the relevant branch for interest recovery.(ငွေချေးသူမှ အတိုးပေးဆပ်ရန် ရက်(၉၁) ကျော်လွန်ပါက အတိုးပြန်လည်ပေးဆပ်စေခြင်း ဆောင်ရွက်ရန်အတွက် Recovery ဌာနအနေဖြင့် ချေးငွေဖိုင်အား သက်ဆိုင်ရာ ဘဏ်ခွဲမှ ရယူထားမည်)	1	2	3	4	5
2	The Recovery Officer read carefully the borrower's Case File and provides necessary information and information. Proof of credit must be obtained from the credit department.(Recovery Officer မှ ငွေချေးသူ၏ Case File အား အသေးစိတ် ဖတ်ရှု မှတ်သားပြီး လိုအပ်သော အချက်အလက်၊ အထောက်အထားများကို ချေးငွေဌာနမှ တောင်းယူမည်)	1	2	3	4	5
3	The loan officer discusses with the borrower the repayment status of the loan. Field inspections must be conducted(Recovery Officer မှ ချေးငွေပြန်လည် ပေးဆပ်နိုင်မည့် အခြေအနေအား ငွေချေးသူနှင့် သဘောတူညီနှိုင်း ဆွေးနွေးခြင်း၊ မြေပြင်ကွင်းဆင်း စစ်ဆေးခြင်းများ ဆောင်ရွက်မည်)	1	2	3	4	5
4	Recovery Officer; Depending on the economic situation, you should consider whether or not you need to extend the loan in accordance with the bank's regulations and submit it to the Head of Recovery(Recovery Officer မှ Customer ၏လုပ်ငန်းလည်ပတ်မှု၊ စီးပွားရေး အခြေအနေကိုကြည့်၍ ဘဏ်၏ စည်းမျဉ်းစည်းကမ်းနှင့်အညီ ချေးငွေသက်တမ်းကို တိုးပေးရန် သင့်/မသင့် စဉ်းစား၍ Recovery ဌာနကြီးမှူး ထံတင်ပြထားမည်)	1	2	3	4	5
၅	When a loan for restructuring, it must consider whether the borrower's current and future financial status should be considered and to determine whether or not to extend the loan. (ချေးငွေ သက်တမ်းတိုးပေးမည့် အခြေအနေနှင့် ပြန်လည်ပေးဆပ်နိုင်မှုကို ဆုံးဖြတ်ရာတွင် ငွေချေးသူ၏ လက်ရှိနှင့် အနာဂတ် ငွေကြေးလည်ပတ်မှု အခြေအနေကို ချင့်ချိန်ပြီး သက်တမ်းတိုးပေးသင့်/မသင့်ကို ပြန်လည် စဉ်းစားမည်)	1	2	3	4	5
6	Failure to submit a Repayment Plan to the Bank; If there is a failure to obtain a loan, it may be advisable to cover the costs and sue but to pay interest on the loan, so that it may be advised to sell the property to the bank before the suit is filed. (ငွေချေးသူမှ ဘဏ်သို့ချေး ငွေပေး ဆပ်နိုင်ရေး (Repayment Plan) တင်ပြနိုင်မှု မရှိ ခြင်း၊ ချေးငွေပြန်လည်ရနိုင်မှုမရှိခြင်းတို့ ဖြစ်ပေါ်ပါက တရားစွဲလျှင် ကုန်ကျစရိတ်များ ရှိနိုင်ခြင်းနှင့် တရားစွဲသော်လည်း)	1	2	3	4	5

	အတိုး ဆက်လက် ပေးရခြင်းတို့အား ငွေချေးသူအား ရှင်းပြ၍ တရားမစွဲ ဆိုမီ ဘဏ်သို့ပေးသော အာမခံပစ္စည်းအား ထုခွဲရောင်းချ၍ ပေးဆပ်နိုင် ရန် အကြံပြုမည်)					
7	If clients are sued for failing to recover their loans, they will be able to explain to the borrower that they have a legal battle with the bank and that they are less likely to win. (ချေးငွေပြန်လည်ရရှိရန် ဆောင်ရွက်ရာတွင် ပျက်ကွက်နေသော Customer များအား ဥပဒေကြောင်းအရ တရားစွဲဆိုပါက Customer များအနေဖြင့် အနိုင်ရရန် အခွင့်အလမ်းနည်းပါးကြောင်း ငွေချေးသူအား နားလည်အောင်ချပြ ရှင်းလင်းဆွေးနွေးမည်။)					

Payment Term						
Sr.	Statement	Agreement Level				
		1	2	3	4	5
1	Approval of loan repayment agreements Agree to assist with loan repayment. (ဆုံးရှုံးချေးငွေပြန်လည်ပေးဆပ်ရန် နည်းလမ်းများ သဘောတူညီမှုရရှိအောင်ဆွေးနွေးပါသည်)	1	2	3	4	5
2	The loan repayment process not go to legal proceedings (ဆုံးရှုံးချေးငွေပြန်လည်ပေးဆပ်ရာတွင် တရားစွဲဆိုခြင်းအဆင့်သို့ မရောက် ရှိအောင်လုပ်ဆောင်ပါသည်)	1	2	3	4	5
3	Bank make provision for the loan at the end of the period. (ပျက်ကွက်ကာလအဆင့်အလိုက် ဆုံးရှုံးချေးငွေများရရှိစေရန် ဆောင်ရွက် ပါသည်)	1	2	3	4	5

Section (C) Influencing on Recovery of Non-Performing Loan

Recovery of Non Performance Loan

Recovery of Non-Performing Loan						
Sr.	Statement	Agreement Level				
1	After the recovery of the loans, it is expected to fall below 5% of NPL (ချေးငွေများပြန်လည်ရရှိရေး ဆောင်ရွက်ပြီးနောက် NPL ၅ ရာခိုင်နှုန်းအောက် လျော့ကျသွားပါသည်)	1	2	3	4	5
2	Loan repayment practices can help the bank fall below the 5% threshold and strengthen the capital. (ချေးငွေပြန်လည် ပေးဆပ်စေရေး ဆောင်ရွက်ချက်များသည် ဘဏ်၏ npl ၅ ရာခိုင်နှုန်း အောက်ကျဆင်းရေးကို အထောက်အကူဖြစ်စေပြီး capital ခိုင်မာစေပါ သည်)	1	2	3	4	5
3	Share dividends for shareholder and rewards for bank employees. (ရှယ်ရှင်များအတွက် အမြတ်ငွေခွဲဝေ ပေးနိုင်ခြင်းနှင့် ဘဏ်၏ ဝန်ထမ်းများအတွက် ဆုကြေးများပေးနိုင် ခြင်းတို့ဆောင်ရွက် နိုင်ပါသည်)	1	2	3	4	5

THANK YOU FOR YOUR PARTICIPATION

နာယကနှင့် ဒါရိုက်တာအဖွဲ့မှာ အောက်ပါအတိုင်းဖြစ်ပါသည် -

- | | | | |
|-----|-------------|--------------------|------|
| (က) | ဦးဟန်ဇော် | ပြည်ထောင်စုဝန်ကြီး | နာယက |
| (ခ) | ဦးကျော်လင်း | ဒုတိယဝန်ကြီး | နာယက |

ဒါရိုက်တာအဖွဲ့

- | | <u>အမည်</u> | <u>တာဝန်</u> | |
|-----|------------------------|----------------------|--------------|
| (က) | ဦးမင်းထိန် | ဥက္ကဋ္ဌ | (အစိုးရခန့်) |
| (ခ) | ဦးသာဌေး | ဒုတိယဥက္ကဋ္ဌ | |
| (ဂ) | ဦးဝင်းတင့် | ဒါရိုက်တာ | (အစိုးရခန့်) |
| (ဃ) | ဒေါက်တာမောင်မောင်သိမ်း | Independent Director | |
| (င) | ဒေါက်တာဒေါ်လှမြင့် | Independent Director | |
| (စ) | ဦးသက်လင်း | ဒါရိုက်တာ | |
| (ဆ) | ဦးသက်တင်ဝင်း | ဒါရိုက်တာ | |
| (ဇ) | ဦးရဲထွဋ် | ဒါရိုက်တာ | |
| (ဈ) | ဦးတင်အောင်မြင့် | ဒါရိုက်တာ | |
| (ည) | ဦးဝင်းနိုင် | ဒါရိုက်တာ | |
| (ဋ) | ဦးမောင်မောင် | ဒါရိုက်တာ | |
| (ဌ) | ဒေါ်ရွှေရည်ဝင်း | ဒါရိုက်တာ | |
| (ဍ) | ဦးသိန်းသန်းတိုး | ဒါရိုက်တာ | |
| (ဎ) | ဦးနေလင်း | ဒါရိုက်တာ | |
| (ဏ) | ဦးဟန်ကြည် | ဒါရိုက်တာ | |
| (တ) | ဒေါ်ယုယုဝင်း | ဒါရိုက်တာ | |
| (ထ) | ဒေါ်မြင့်မြင့်မူ | ဒါရိုက်တာ | (အစိုးရခန့်) |
| (ဒ) | ဦးဝင်းဇော် | ဒါရိုက်တာ | (အစိုးရခန့်) |
- (အတွင်းရေးမှူး)

ဒါရိုက်တာအဖွဲ့အား အထောက်အကူပြုနိုင်စေရန်နှင့် အပြန်အလှန်ထိန်းကျောင်းနိုင်ရန် ရည်ရွယ်၍ ဒါရိုက်တာအဖွဲ့ဝင်များနှင့် အစုရှယ်ယာရှင်များ ပါဝင်သည့် ကော်မတီ (၁၁) ရပ်ကို အောက်ပါ အတိုင်း ဖွဲ့စည်းထားရှိပါသည်-

- (က) အမှုဆောင်ကော်မတီ (Executive Committee)
- (ခ) စာရင်းစစ်ကော်မတီ (Audit Committee)
- (ဂ) ပေးရန်တာဝန်နှင့် ရရန်ပိုင်ခွင့်များ စီမံခန့်ခွဲမှုကော်မတီ (Assets and Liabilities Management Committee)
- (ဃ) ချေးငွေကော်မတီ (Credit Committee)
- (င) အိမ်ရာဖွံ့ဖြိုးရေးကော်မတီ (Housing Development Committee)
- (စ) အပြည်ပြည်ဆိုင်ရာ လုပ်ငန်းဖွံ့ဖြိုးမှုကော်မတီ (International Business Development Committee)
- (ဆ) အခြေခံအဆောက်အအုံ ဖွံ့ဖြိုးမှုကော်မတီ (Infrastructure Development Committee)
- (ဇ) နည်းပညာပိုင်းဆိုင်ရာ ပစ္စည်းများ ဝယ်ယူရေးအဖွဲ့ (IT Procurement Committee)
- (ဈ) လစာစရိတ်များ ချီးမြှင့်ရေးကော်မတီ (Remuneration Committee)
- (ည) ဆုံးရှုံးနိုင်မှု အန္တရာယ်စီမံခန့်ခွဲမှု ကော်မတီ (Risk Management Committee)
- (ဋ) ဘဏ်ခွဲများတိုးချဲ့ဖွင့်လှစ်ရေးကော်မတီ (Bank Branch Extension Committee)