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**EFFECT OF BANK EXPANSION ON PERFORMANCE OF**  
**SHWE BANK**

**MAUNG MAUNG YE WIN KHAING**

**ROLL NO-31**

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**EFFECT OF BANK EXPANSION ON PERFORMANCE OF  
SHWE BANK**

This thesis is submitted to the Board of Examination as partial fulfillment of the requirement for the Degree of Master of Banking and Finance (MBF)

**Supervised by**

Dr. May Su Myat Htway Aung  
Professor  
Department of Commerce  
Yangon University of Economics

**Submitted by**

Maung Maung Ye Win Khaing  
MBF-31  
MBF Day 3<sup>rd</sup> Batch  
Yangon University of Economics

**February, 2023**

## ACCEPTANCE

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

.....  
(Chairperson)

Prof. Dr. Tin Tin Htwe

Rector

Yangon University of Economics

.....  
(Supervisor)

Dr. May Su Myat Htway Aung

Professor

Department of Commerce

Yangon University of Economics

.....  
(Examiner)

Dr. Tin Tin Htwe

Professor/Head

Department of Commerce

Yangon University of Economics

.....  
(Examiner)

Dr. Aye Thu Htun

Professor

Department of Commerce

Yangon University of Economics

.....  
(Examiner)

Dr. Thynn Thynn Myint

Professor

Department of Commerce

Yangon University of Economics

**FEBRUARY, 2023**

## **ABSTRACT**

The purpose of this study was to investigate the performance of Shwe Bank and to investigate the impact that the expansion of the bank had on the performance of Shwe Bank. In order to accomplish these goals, an analysis was carried out in February 2023 using the replies provided by 68 individuals in Shwe Bank who filled out standardized questionnaires. These individuals held positions ranging from Manager to CEO. The aspects of financial service, bank performance, geographical location, and pricing are taken into consideration in this research. According to the findings of an investigation that involved multiple regressions, the three factors of financial service, bank performance, and costs have a substantial impact on bank performance. According to the findings of this research, locational considerations do not affect bank performance. The performance of banks contributes, among other things, to the growth of business organizations and the even distribution of economic activity in Myanmar.

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## **LIST OF ABBREVIATIONS**

ASEAN	Association South East Asian Nations
ATM	Automatic Teller Machine
AYA	Ayawady Bank Limited
AYB	Asia Yangon Bank Limited
CBM	Central Bank of Myanmar
CB	Co-operative Bank Limited
EDI	Electronic Market Place Internet
EERP	Extend Enterprise Resource Planning
Fintech	Financial Technology
GDP	Gross Domestic Product
GIZ	German Agency for International Co-operation
IMF	International Monetary Fund
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SCMIS	Supply Chain Management Information Systems

# CHAPTER I

## INTRODUCTION

The banking business industry includes systems of financial institutions called banks that provided by personal savings and use their money. Banks offer clients the opportunity to open accounts for different purposes, like saving or investing their money (Indeed, 2023). The banking industry is also valuable to the economy, as it provides resources for individuals, families and organizations to use for transactions and investments. The economy is made up of many different segments called sectors. These sectors are comprised of different businesses that provide goods and services to consumers. The variety of services offered by lending institutions, brokerage firms, and other businesses are collectively referred to as the financial services sector. The financial services sector provides financial services to people and corporations. This segment of the economy is made up of a variety of financial firms including banks, investment houses, lenders, finance companies, real estate brokers, and insurance companies (Indeed, 2023).

Financial institutions included many different types of institutions, financial intermediaries (banks, insurance companies and mutual funds) and financial markets (stock and bond markets). From people, who save to those who need to borrow funds, this causes investment, production and employment, which are factors driving a country's economic growth prospects. More importantly, it must be stable and smoothly be implemented (Watanagase, 2005). The banking sector has crucial role in the economy of any country, it satisfies the monetary needs of the economic actors, and the major role of banks remains in responding to the financial demand of the economic actors. The prime mission filled by banks is based on consolidating the financial stability of countries, and contributing to improve the wealth of the different actors: consumers and producers, by creating new financial products matching with them new needs (Levine, 1999).

The financial institutions is probably the most important sector of the economy, leading the world in terms of earnings and equity market capitalization. Large conglomerates dominate this sector, but it also includes a diverse range of smaller companies. According to the finance and development department of the International Monetary Fund (IMF), financial services are the processes by which consumers or businesses acquire financial goods. For example, a payment system provider offers a financial service when it accepts and transfers funds between payers and recipients. This

includes accounts settled through credit and debit cards, checks, and electronic funds transfers. Companies in the financial services industry manage money. A financial advisor manages assets and offers advice on behalf of a client. The advisor does not directly provide investments or any other product, rather, they facilitate the movement of funds between savers and the issuers of securities and other instruments. This service is a temporary task rather than a tangible asset. Financial goods, on the other hand, are not tasks. They are things. A mortgage loan may seem like a service, but it's actually a product that lasts beyond the initial provision. Stocks, bonds, loans, commodity assets, real estate, and insurance policies are examples of financial goods (Levine, 1997).

The banking business is the foundation of the financial services group. It is most concerned with direct saving and lending, while the financial services sector incorporates investments, insurance, the redistribution of risk, and other financial activities. Banking services are provided by large commercial banks, community banks, credit unions, and other entities. Banks earn revenue primarily on the difference in the interest rates charged for credit accounts and the rates paid to depositors. Financial services like these primarily earn revenue through fees, commissions, and other methods like the spread on interest rates between loans and deposits. Banking is made up of several segments—retail banking, commercial banking, and investment banking. Also known as consumer or personal banking, retail banking serves consumers rather than corporations. These banks offer financial services tailored to individuals, including checking and savings accounts, mortgages, loans, and credit cards, as well as certain investment services. Corporate, commercial, or business banking, on the other hand, deals with small businesses and large corporations. Like retail banking, it provides account services and credit products that are tailored to the specific needs of businesses. An investment bank typically only works with deal makers and high-net-worth individuals (HNWIs) not the general public. These banks underwrite deals, secure access to capital markets, offer wealth management and tax advice, advise companies on mergers and acquisitions (M&A), and facilitate the buying and selling of stocks and bonds. Financial advisors and discount brokerages also occupy this niche (Levine, 1988).

The development of bank branches within and across provinces defines markets for financial services, because branches are where deposits are held and loans are arranged and where most investors execute transactions for stocks, bonds, and mutual funds. Furthermore, large numbers of small firms relative to most other countries. Small firms are very dependent on banks for short-term credit and for funds which allow flexibility in

responding to shocks. Banking industry were to become more concentrated, through the process of branch expansion, the small firms could suffer. If more branches were increasingly sited in affluent areas of the country, the distribution of income and wealth could become more unequal (Giorgio Calcagnini,2009). The development of bank branches within and across provinces defines markets for financial services, because branches are where deposits are held and loans are arranged and where most investors execute transactions for stocks, bonds, and mutual funds. Furthermore, large numbers of small firms relative to most other countries. Small firms are very dependent on banks for short-term credit and for funds which allow flexibility in responding to shocks. Banking industry were to become more concentrated, through the process of branch expansion, the small firms could suffer. If more branches were increasingly sited in affluent areas of the country, the distribution of income and wealth could become more unequal (Giorgio Calcagnini,2009).

In recent years, 13 international banks have re-entered Myanmar under a new licensing system, a few have also made partnerships with local banks (e.g. CB Bank with The Bank of Tokyo Mitsubishi UFJ, KBZ with Sumitomo Mitsui Banking Corporation, and AYA with Mizuho) and they can compete for business independently. The authorities have shut down the state-owned bank monopolies on certain activities, such as providing trade financing and dealing in foreign currency, and other. Most of the domestic private banks have upgraded to digital and technological transformations, installing and changing core banking systems, paperless operations, expand the mobile services and agent banking services. Also the card system has reappeared after a 15 years sink, and the bigger banks are beginning to deliver a huge range of consumer and SME lending products. Domestic banks are moving towards with specific strategic, less capital intense, digital and agent banking routes. This results in the previous observation showed about the significant growth in all major banks (GIZ,2018).

In 2012, government stated the law for foreign exchange management and founded the Central Bank of Myanmar law in 2013. Then in 2016, The Financial Institutions Law issued the primary legislative document that controls the Financial Services sector, particularly in banking industry. The regulatory framework started to create a shape as four new prudential regulations under the FIL are issued in July 2017. Moreover, CBM started to issue a mobile financial services license to mobile money company from Sep 2016: Wave Money, M-Pitisan, OK Dollar, My Money, and MPT

Money. In Dec 2017, five specialist banks were approved for targeted lending to sector-specific businesses. This allows certain businesses to have a better chance of receiving loans and expanding operations. In Feb 2018, seven foreign banks were allowed to provide export financing services (GIZ, 2018).

In May 2018, Myanmar Credit Bureau Limited got a license officially. It is the first credit agency in the country. It is 60% owned by 23 local banks, and 40% owned by Singapore's Asian Credit Bureau Holdings. The purpose is to collect accurate loan payment histories on individual and corporate borrowers for assigning creditworthiness ratings. It also distributes the profiles to lenders such as banks and other non-bank financial institutions (GIZ, 2018).

Directorate of Investment and Company Administration under Ministry of Planning and Economic Development of the Union Government registered SHWE Rural and Urban Development Bank to incorporate as a limited company on 14 February 2014 and the Central Bank of Myanmar granted a banking license on 28 July 2014. As per the said approval from the Union Government as well as the Central Bank, in order to launch SHWE Rural and Urban Development Bank (Head Office) and a Branch at the Head office, the infrastructure including Vaults and Data Centre are under construction at a 9- storied building at the corner of Pansodan Road and Merchant Street, where the financial market of Yangon is located. Bayintnaung branch was opened on 5 December 2016. In 2017 Shwe Bank opened three branches. One of branches is in Mandalay, which was opened on 23 February 2017. And then another branch was opened in Yarzardiyit, Botahaung Township, Yangon, on 20 June 2017. The last branch was opened in Shwe Gone Thu, lower Kyimyindaing Township, Yangon on 29 November 2017. The next two branches were opened on after the 2019. One of branches is in Mawlamyine, Dine Won Kwin Road, Mandalay Ward, and the another branch was opened in Naypyitaw, Thapaya Kone Ward, Zabuthiri Township. In addition to, the branches that are preparing to open new branches are Bago branch and Pyay branch, which are preparing to expand and Bago city and Bago district Pyay city in Bago province (Author Compilation, 2023).

Deposits are key element in defining what a banking firm really does and what critical roles it really plays in the economy. The ability of management and staff attract transaction (checkable) and saving deposits from business and consumers' is an important measure of a depository institution's acceptance by the public. Moreover, deposits provide much of the raw material for making loans and, thus, may represent the ultimate source of profits and growth for a depository institution. Important indicators of management's effectiveness are whether or not funds deposited by the public have been raised at the lowest possible costs and whether sufficient deposits are available to fund all those loans and project managemet wishes to persue (Rose & Hudgins, 2013).

In addition, making loan to fund consumption and investment spending is the principal economic function of banks their closest competitors. How well a lender performs in fulfilling the lending function has a great deal to do with the economic health of its region, because the loans support the growth of new business and jobs within the lenders' markets area. Moreover, loans frequently convey information to the marketplace about a borrower's credit quality, often enabling a borrower whose loan is approved to obtain more and somewhat cheaper funds from other sources as well. The loans may be divided into seven broad categories delineated by their purpose (1) Real estate loans, (2) financial institution loans, (3) agricultural loans, (4) commercial and industrial loans, (5) loans to individuals (6) Miscellaneous loans and (7) lease financing receivables. Thus, the bank's deposit and loans are the most important factors of the banks' branches expansion (Rose & Hudgins, 2013).

Mergers and acquisitions have had a powerful impact upon the growth of branch offices and the trend toward much larger financial service organizations in the United States and around the world. The causes of the rapid growth in the branching are many. One factor has been the exodus of population from cities to suburban communities, forcing many large downtown financial firms to either follow or lose their mobile customers. According to the results, the expansion of the bank's branches office and automated tellers, radiating out from downtown areas like the spokes a wheel. Failures have also spawned branching activity as healthier institutions have been allowed to take over sick ones. Business growth, too, has fueled the spread of branching; the credit needs of rapidly growing corporations necessitate larger and more diversified lending institutions that can reach into many local markets for small deposit accounts and pool those funds into large-volume loans (Rose & Hudgins, 20213).

Rose and Hudgins, (2013) Branching organizations often buy out smaller institutions, converting them into branches and concentrating the industry's assets into the hands of fewer firms. However, there is a little or no evidence that this necessarily lessens competition. Customer convenience seems to improve because more services are available at every branch location and branching areas tend to have more offices per unit of population, reducing transactions costs for the average customer. However, some service fees seem to be higher in branching areas, which may reflect greater knowledge on the parts of larger banks concerning the true cost of each service.

In this study, an important factor to be consider in order to open new bank's branches is the operations of the domestic banking department in Shwe Bank Head Office. From this department to manage the difficulties encountered in trying to established a Shwe Bank's market in one place with the partner banks, the achievement of deposit targets, and the progress of loans. Now, the progress of the new bank's branches shows that the covid-19 pandemic period, more branches can be opened in the cities of Bago and Pyay. So, the influencing factors of Shwe Bank's expansion of the financial services factors, economic factors, location factors or convenience factors, and leadership factors are the most important factors in opening of a new branches, if improved, more new branches can be opened.

### **1.1 Rationale of the Study**

The financial institutions is the primary driver of a nation's economy. It provides the free flow of capital and liquidity in the marketplace. When the sector is strong, the economy grows, and companies in this industry are better able to manage risk. The strength of the financial services sector is also important to the prosperity of a country's population. When the sector and economy are strong, consumers generally earn more. This boosts their confidence and purchasing power. When they need access to credit for large purchases, they turn to the financial services sector to borrow. A strong financial services sector can lead to economic growth, while a failing system can drag down a nation's economy. If the financial services sector fails, though, it can drag a country's economy down. This can lead to a recession. When the financial system starts to break down, the economy starts to suffer. Capital begins to dry up as lenders tighten the reins on lending. Unemployment rises, and wages may even drop, leading consumers to stop spending. In



order to compensate, central banks lower interest rates to try to boost economic growth. This is primarily what happened during the financial crisis that led to the Great Recession.

The banking industry is highly competitive with banks not only competing among each other, but also non-bank and other financial institutions. Many private banks build their networking by opening branches in order to extend the reach of their services different locations. It means that branch can offer different services to customers in more productive way. The bank customers of all over the country get better services and greater facilities under the branch banking systems (Hull, 2002).

Since 2010, the banking sector is one of the important reform areas of the Myanmar government. After 2015, significant reforms have been put on track to be in line with international standards, including accounting systems, digital banking and financial inclusion for both, SMEs and unbanked people. The development of the banking system is considered a driving force for economic growth in Myanmar. Although Myanmar's banking sector has achieved fast growth during the past decade, it remains small compared to its neighboring countries and other ASEAN member states. Credit to the private sector stood at 26% of GDP in 2019, one of the lowest values in the region. The indicator fell remarkably during the 2003 banking crisis and only reached its pre-crisis level in 2012. From then on, credit growth gained momentum, which increasingly raises concerns regarding the stability of the sector, especially because the banks' risk management capabilities have not increased to the same extent as their credit exposure (GIZ,2020).

Myanmar's banking sector today consists of four state-owned banks, 27 domestic private banks and 13 foreign bank branches. In addition, there are 46 representative offices of foreign banks listed on the website of the CBM. During 2020 there were minor changes in the Myanmar banking market. The banking license of the locally incorporated Asia Yangon Bank Ltd (AYB) was revoked by the CBM on 16 March 2020 because AYB did not meet the minimum requirements for paid-up capital. AYB became the first local bank cancelled after the banking crisis of 2003. Thus, there are still 27 domestic private banks as of September 2020 since the Farmer Development Bank Mandalay received a banking license in February of that year (GIZ,2020).

The operating process of branch banking including leadership, location, costs, economic and financial factors. The location of the bank may be too far away to visit, and the branches of the bank will provide all the necessary services on may need. Various branch banking services provided to customer are easy to understand and are improved

one to get competitive advantage. It increases the availability of convenience of services to customers, because branch banks are large enough to support a full menu of services in branch office (Author Compilation, 2023).

Shwe Bank was established. It is a private bank with approved share capital of Kyat 100 trillion and paid-up capital of Kyat 60,525 trillion. At December 2019, the bank's capital ratio was 25.57%, sufficient to meet the minimum 10% cap of the Central Bank of Myanmar. It aims not only to provide people with safe deposits, it also aims at facilitating the commercial development of individuals and businesses by giving loans and advances. It also supports Myanmar Economy (Author Compilation, 2023).

Shwe Bank offers banking services such as domestic transfers, foreign transfers, exchange, the acceptance of savings, current or fixed deposits as well as credit and 20 deposits, the purchasing operations of operating hires, the issuance of bank guarantees, online payment system operations, business financial services, 24 hours ATM transactions and the provision of a customer care department. It also offers bank services in accordance with the provisions of the Central Bank of Myanmar's rules and regulations. Therefore, expansion of the banks' branches will be needed and in this study is conducted for Shwe Rural & Urban Development Bank (Author Compilation, 2023).

## **1.2 Objectives of the Study**

The objectives of the study are as follows:

- 1) To examine the bank performance in Shwe Bank.
- 2) To analyze the effect of bank expansion on performance of Shwe Bank.

## **1.4 Scopes and Methods of the Study**

The study focuses on factors influencing the expansion of banks' branches in SHWE banks, Myanmar. It was collected from 48 percent registered of the respondents of CEO to Manager from the 70 percent of these respondents in the SWE Rural and Urban Development Bank by using simple random sampling methods.

Quantitative research techniques are used in this study. Both primary and secondary sources of data are used in this research. The primary data are collected through questionnaire while secondary data are taken from the various sources such as management text books, Ministry of Planning and Finance's published report books, and journal, Central Bank of Myanmar's published reports, web site, and journal, conducted

research papers concerning expansion of bank branches from various countries of banking industry, and internet. In this study random sampling method is used. Target population of this study is the employees of selected private banks in Yangon. To get the size of sample from the population Taro Yamane (1973) formula is taken in a consideration.

The questions are prepared by a five-point Likert scale (Likert, 1970), ranging from “strongly disagree” to “strongly agree”. Descriptive statistics such as mean, percentages, and standard deviation were used. This study employed quantitative research method using multiple linear regression methods in SPSS 23 to analyze the data and test the hypotheses. Reliability and validity of data tested before proceeding to the regression analysis.

### **1.5 Organization of the Study**

There are five chapters in this study. Chapter one is the introduction section include rational of the study, objectives of the study, scope and method of study and organization of the study. Subsequently, Chapter two discusses the relevant concept theories that are relevant to this topic and the proposed conceptual framework formed for the study. Chapter three present over view on the development of Shwe Banks’ branches. Chapter four analysis the influencing factors on expansion of Shwe Bank’s branches. Finally, Chapter five presented conclusion, findings, suggestion, and needs for further study are described.

## **CHAPTER II**

### **THEORETICAL BACKGROUND**

This chapter presents the theoretical background of the study. To study and understand the expansion theory, the important of expansions, influencing factors on Banks' branches expansion and conceptual framework of the previous study. In addition, the conceptual framework of the study was presented in this chapter.

#### **2.1 Importance of Market Expansion**

Deposit of a bank comprises of saving deposit, demand deposit, interest free deposit (for Muslims) and fixed time deposit. Individuals, businesses, nonprofit organizations, municipalities, regional states and federal government organs all make deposits at banks. Customers benefit by earning interest and having their funds safe and readily available to withdraw whenever they need. They also receive access to a convenient way to pay bills by check or through various forms of online payments such as POS.

According to Venkatesan, (2012) acceptance of deposits is the primary function of commercial banks and mobilization of savings through intensive deposit collection has been regarded as the major task of banks. Hirtle, (2007) stated that one of the key functions of a branch network is to collect deposits; all else equal, the higher the level of deposits held at a branch, the more profitable the bank will be. This is because the fixed costs of branch operation can be spread across a wider deposit base. Furthermore, research also indicates that, controlling for other characteristics of the transaction; higher levels of deposits are associated with higher premiums in branch sales, consistent with the idea that deposits are a significant measure of branch performance. Tuyishime, Memba and Mebra, (2015) pointed out that deposits are an indispensable tool commercial banks use to boost their profitability through advancing deposits mobilized to its customers in form of loans which make in turn interest earning. This lending activity is made feasible only if the banks can collect enough funds from their customers. Shettar (2014) emphasized that, mobilization of deposits for a bank to stay at business is as essential as oxygen for human being to stay alive.

Credit is the lifeblood of any economy and banks are its principal provider. Banks and their customers work together when it comes to saving and lending. Banks pay interest to attract customer to make saving deposits. In turn, banks use a portion of those deposits to fund a range of credit products for consumers, businesses of all sizes and governments. Lending is the other major business activity of commercial banks because bank loans are the largest asset and the predominate source of revenue for banks. Bank loans benefit individuals, businesses and governments, giving them access to the funding they need to achieve their goals (American Bankers Association, 2014). Bank credit is a catalyst of economic development. Without adequate finance, there can be no growth in the economy. Bank lending is important for the economy in the sense that it can simultaneously finance all the sector and sub-sectors of economic arena, which comprises agricultural, commercial and industrial activities of a nation. Therefore, a bank is supposed to allocate its loanable fund among economic agent-in-deficit in a manner that it will generate sufficient income for it and at the same time benefits the borrower to overcome deficit (Islam, 2014). Profit and profitability are two separate concepts. The former indicates absolute measurement while the latter indicates relative measurement that is profit in relation to some other variable (Islam, Siddiqui and Islam, 2014:61). Profit is a measure of success of a company and the means of its survival and growth. Profitability is the ability of any business to earn profit for its owners (Singh, 2015).

The profitability of banks is related to the transformation of inputs (deposits) to outputs (loans). Profitability is the bottom line of efficiency of banks (Worede, 2016). One of the principal activities of commercial banks is to grant loans to borrowers. Because loans are among the highest yielding assets a bank can add to its balance sheet, and they provide the largest portion of operating revenue. The higher the volume of loans extended the higher the interest income and hence the profit potentials for the commercial banks (Abdissa, 2016). Profitability is crucial for a bank to maintain ongoing activity and for its shareholders to obtain reasonable returns. The resources obtained by banks through deposits have to be deployed properly in the form of loans and advances to get the maximum return out of it, in terms of profit (Venkatesan,2012). According to Endalamaw (2017) profitability is a banks' first line of protection against unforeseen losses, as it strengthens its capital position and improves future profitability through the investment of retained earnings.

## **2.3 Influencing Factors on Expansion of Banks' Branches**

In this study, the influencing factors on Banks' branches expansion are financial service factor, economic factor and location factors. In addition, operational definitions of banks' branches expansion are as follows:

### **2.3.1 Financial Service Factors**

In financial services, efficiency and scale have been always important. It remains a capital-intensive business with high fixed costs. Adding new customers creates operational leverage and has a direct impact on the bottom line. There are multiple circumstances (low-interest environment, new products with cheaper cost base, etc.) that currently creating a huge downward pressure on the cost of financial services across all ranges. Digital channels can be 60 to 80% cheaper than traditional bank branches and Lending and Payments services are increasingly online. Many of the new and incumbent players prefer "streamlined and simple" because using mobile does limit the marketing effectiveness of more complex products and services. Trust is the most important factor in financial services. The crisis left a painfully low confidence level for existing players and it is still an industry where trust is fragile. Even though the Edelman Trust Barometer survey showed that people's trust in financial services improved by 8% (from 43% to 51%) from 2012-2016, it still remains one of the least trusted industries which might have to do with the number of scandals that happened in the industry in the lasts 10 years. Trust is hard to build, it takes seconds to break and it takes very long to rebuild. This is demonstrated by many examples in the past and it is not any different today (eg. Lending Club). The regulatory framework can still play an important role in giving accreditation, though it is fair to say that many customers became disappointed and lost faith in rating agencies and the ability of regulators to prevent a crisis.

### **2.3.2 Legal Factors**

Cheng *et al.* (2005) said that another factor to be analyzed in investing is the Return On Investment (ROI). In addition, for investors to open more branches, The Bank of Thailand criteria state that they must have a reasonable and satisfactory financial position with the ability to absorb the risks of opening new branches (BoT, 2006). In addition to the internal factors mentioned above, there are also external factors including the economic environment, market influence, banking relationships with the customers (Ernst and Young Group, 2011). For example, after the economic crisis in Asia, foreign

banks had to expand and take on the risks of these risky markets (Ma, 2012) because when the economy is good, the consumer base is large and growing with higher spending leading to more investments and as this process increases, the need for more retail banking outlets increases, thus contributing to the growth in market share for the commercial institutions.

### **2.3.3 Location Factors**

Selection of bank branch locations is largely based on competition and policies which must be consistent with sales strategies (Thompson, 1991) and the extent of product offerings, including location of the branches. Location is therefore, of paramount importance both to the banking organization as well as for the convenience of the customer, who opens the account which should be close to their home, work or their retail shopping. In addition to the need for easy access to services, branches must be located near the customer (Kalafatis *et al.*, 2000), but this decision is influenced by other factors affecting the location decision. These include the community size and the number of established products and services in the area being considered for expansion (Canel and Das, 2002). A clear model is necessary for the development of the manufacturing or production processes, as well as investment in internal human resources (Fulford, 2009) communications, customer awareness of the product or service will result in an increase in market share which increases the profitability of bank branches (Mullineaux and Pyles, 2010).

### **2.3.4 Costing Factors**

The cost of doing business is based on customer behavior. Factors that determine the behavior of clients include the client's income and past experiences as a customer. Govender (2000) found that influencing factors are the size of the organization, materials and equipment, which affect the pricing and services for the banking business. Research by Giokas (2008) noted that the size of the branch affects the sustainability of bank branches. The large branch has more efficient business operations while smaller branches have higher operational costs related to buildings, bank location as well as equipment installation. Small community banks with 8-10 employees can grow but they must have a strategic plan in a highly competitive market (Timmons, 1996). Using technology for banking services will result in limitless administrative service ability (Tom, 2006) and affects the building of relationships with customers as well as creating a competitive, low

cost advantage (Durkin and Howcroft, 2003). Whether, a firm implements an electronic marketplace, internet EDI, Extended Enterprise Resource Planning (EERP) or other SCMIS, choosing the right approach is a risky undertaking given the number of factors that influence the total costs and benefits (McLaren *et al.*, 2002). Technology contributes to investor confidence and is reflected by the service technology and tools (Reynolds and Wood, 2010).

### **2.3 Theory for Market Expansion Strategy**

This section presented the definition of Strategic Management, the role of operational strategy and important of the expansion strategy and factors influencing on expansion of banks branches and theoretical framework of the study, conceptual framework of the study and operational definition of the study.

According to the Fred.R David (2013), strategic management can be defined as the art and science of analyzing, formulating, implementation and evaluating any cross functional decisions that enable an organization to achieve its objectives.

Strategies used to make decisions regarding the allocation of resources or pursuing an operational strategy are often categorized as stability strategies, expansion (growth) strategies, retrenchment strategies, or combination strategies. As the name implies, a stability business strategy seeks to maintain operations and market size and position. This strategy is characteristic of small risk-averse firms or firms operating in a very precarious market that is comfortable with its current position. These strategies are generally divided into;

**No Change Strategies** - A firm makes no considerable changes to its objectives or operations. The firm examines the internal and external factors affecting the firm in its current operating and market environment. The firm makes a conscious decision to maintain its current strategic objectives. This is most common in low competition environments, with no major or market-shifting occurrences, and the firms competitive position is stable. For example, firms operating in niche markets commonly choose a niche (cost or differentiation) strategy and maintain that strategy until internal or external factors necessitate a change (Business Professor.LLC, 2021).

**Profit Strategies** - A profit strategy endorses any action necessary to maintain or improve profitability. This may include cutting costs (operational efficiency, outsourcing), selling assets, raising prices, increasing output (sales), or offsetting losses with profits from



another business unit. This strategy is common with firms that are profitable but are facing temporary pressures that are threatening their profitability, such as competition, market conditions, recession, inflation, cost escalations, etc. If these pressures become long-term, a profit strategy risks harming the firm by reducing competitiveness (particularly if the firm competes on cost or price). If a firm value offering or resources are becoming obsolete, the profit strategy may provide temporary profits before the business unit is dissolved or otherwise disposed of. In any event, the strategy generally does not involve the investment of new resources. Profitability is maintained with present levels or less resources (Business Professor.LLC, 2021).

**Caution Strategies** - This strategy requires a firm to wait and continue to assess the market before employing any particular strategy. It is basically reconnaissance before strategic action is taken. This is a temporary strategy employed for a limited time while deciding on a formal strategy to pursue. It avoids making any significant investment of resources and discontinues any strategy formula pursued until the firm has a full understanding of the market and the effect of former strategies. This strategy is common among manufacturing companies evaluating the launch of new products (Business Professor.LLC, 2021).

The market expansion strategy is synonymous with a growth strategy. A firm seeks to achieve faster growth, compete, achieve higher profits, grow a brand, capitalize on economies of scale, have greater impact, or occupy a larger market share. This may entail acquiring more market share through traditional competitive strategies, entering new markets, targeting new market segments, offering new produce or services, expanding or improving current operations. Below are common market expansion strategies:

**Expansion through Concentration** - This involves focusing resource allocation and operational efficiency on one or a select group of business units or core business functions. Concentration might include: penetrating an existing market with an existing value proposition; developing a new market by attracting new customers to an existing value proposition; developing a new value proposition to introduce in the existing market. The benefits of expansion through concentration is that it allows the firm to focus on areas where it already has operations and a level of competency. It is comfortable to avoid major changes in operations while employing existing knowledge. This type of strategy can be risky from the stand point of putting too many eggs in one basket. Changes in the market

(price fluctuations, customer sentiment, new value propositions, etc.) may cause the strategy to be unsuccessful.

**Expansion through Diversification** - This strategy involves diversifying the value offering of the company in one of two methods: 1) Concentric Diversification entails developing a new value proposition that are related to existing value propositions; or 2) Conglomerate Diversification entail entering into new markets (either with an existing value proposition or by combining with another industry competitor). This strategy generally reduces specific industry risks, such as an economic downturn. The profits of one value offering might offset losses in another business unit during difficult times (Business Professor.LLC, 2021).

**Expansion through Integration** - Integration involves the consolidation of operational units anywhere along the value chain to create greater efficiency and produce economies of scale. Unlike other strategies, it does not involve making changes to existing markets or targeting new customer groups. There are two primary types of integration: 1) Vertical integration involves consolidation up or down the value chain. Forward vertical integration involves consolidating closer to the point at which value is delivered to the consumer. Backward vertical integration involves consolidating closer to the genesis of value (such as the point of manufacturing). Horizontal integration involves consolidating operations at the same point in the value chain. This consolidation may be between business units or by acquiring or combining with a competitor (Business Professor.LLC, 2021).

**Expansion through Cooperation** - This strategy entails working closely with a competitor (while potentially still competing against them in the market). Working with the competitor provides both companies an advantage that trumps any advantage (or disadvantage caused to the competitor) from not working together. Working together will generally provide operational efficiency to one or both competitors or expand the market potential for one or both competitors. Working together may take the form of consolidation of business units (mergers or acquisitions), strategic alliance (affinity group or association), or joint venture (loose partnership-like alliance generally used to undertake a project or enter into foreign markets) (Business Professor.LLC, 2021).

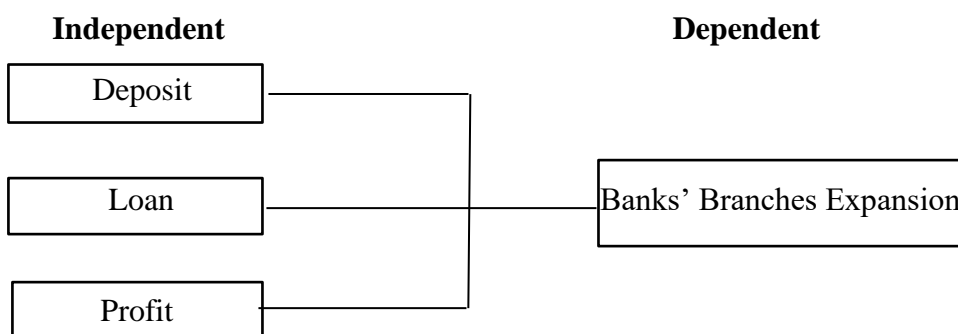
**Expansion through Internationalization** - This method involves creating new markets for a value offering by looking outside of the immediate nation. Generally, this option is

preferable when there is little room for expansion in domestic markets. Internationalization can be carried out through the following strategic approaches: 1) International Strategy - focusing on offering a value proposition in a foreign country without modification of differentiation; 2) Multi-domestic Strategy - involves modifying or differentiating a product to make it attractive or suitable to foreign markets; 3) Global Strategy - focuses on delivering the standardized value proposition in countries where there is a low cost structure for delivery; 4) Transnational Strategy - employs both a global and multi-domestic strategy by modifying or differentiating a product in foreign markets where there is a low cost structure that results in profits from delivering the value proposition (Business Professor.LLC, 2021).

## 2.4 Previous Study

Kumar and Singh (2021) defined Deposit Mobilization & Branch Expansion Dimensions. Banks' primary focus is deposit mobilization; therefore, achieving the optimal level of earning deposits is critical. The rationale of this paper is to study the effect of branch expansion dimensions (government policy, population growth, location of branch and branch office rent) on deposit mobilization in the context of Dashen bank S.c. The study was limited to the Bank's staffs in Bahir Dar district and the sample branches and head office organs was selected based on purposive sampling technique. Accordingly, primary data were collected through a survey using a structured questionnaire with a sample of 283 staffs who are serving the bank by assuming different positions. Returned questionnaire was analyzed using descriptive, correlation and regression analysis.

**Figure (2.1) Deposit Mobilization & Branch Expansion Dimensions - A Critical Analysis with Special Reference to Dashen Bank Ethiopia**

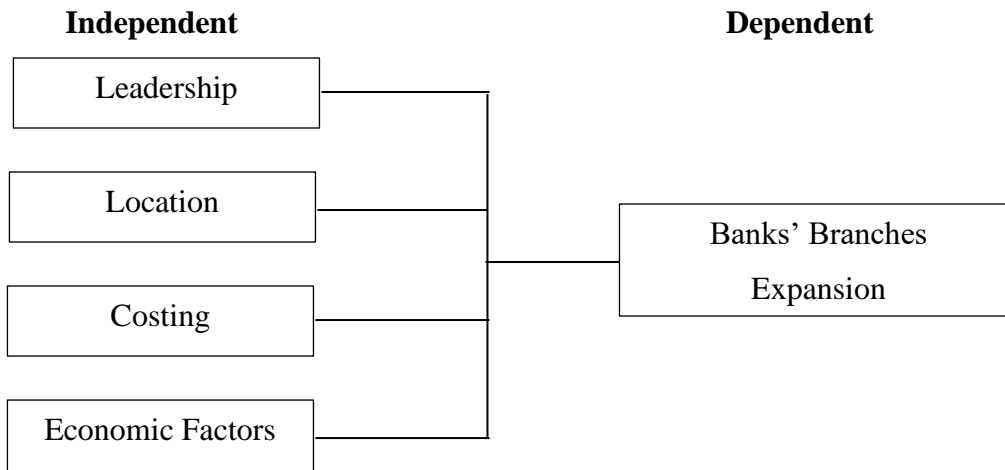


Source: Kumar and Singh, 2021

The finding indicates that among the four independent variables government policy is the first most significant factor that is perceived to be important in deposit mobilization of dashen bank S.C. followed by population growth, location of branch and branch office rent takes the fourth place important factor of deposit mobilization. The relationship between those independent variables and dependent variable was significant. This means that the banks' growth in deposit highly relates to branch expansion dimensions. The bank used in the study may limit the applicability of the findings to the whole bank industry in our country. Thus, the researcher suggests that further studies to examine more branches, districts and different banks in the industry not only in Bahir Dar district but also in other geographical areas throughout Ethiopia and in other service sectors to either prove or improve the findings of the study.

Meesrichan and Fongsuwan (2014) presented the analysis of Thai commercial banks branch expansion factors. Effects of globalization make the movement of funds a requirement for many businesses, which includes Thai commercial banks' foreign investors. Foreign influence on Thai commercial banking has affected the management, style and size of the locations and branches. Additionally, scheduled branches openings are not happening due to various factors including external economic factors affecting the organization's performance, Return on Investment (ROI), amount of loan losses and the ratio of capital to risk-weighted assets of the bank. External factors included GNP (Gross National Production), export value and the savings/spending levels of local consumers. These economic factors will affect the organization's strategy and the commercial banks' strategic planning and staffing for expansion and influence location choice, branch cost and size. Consumer behavior, population density and demographics of the selected community are also external factors. Other factors include implemented transaction technologies and the potential for future expansion. The following Figure (2.2) presented the conceptual framework of the analysis of Thai commercial banks branch expansion.

**Figure (2.2) An Analysis of Thai Commercial Banks Branch Expansion Factors Including Leadership, Location, Cost and Economics**



Source: Meesrichan and Fongsuwan (2014)

Findings of above study concluded that the location and cost did not influence the branch expansion in Thailand, but it is a factor that is influenced by corporate leaders. Banks need to add branches and more service points. Amare et al (2020) defined A Geographic Information System (GIS) based model used for opening new branches in Ethiopia. The objective is the role of GIS in branch decision making in the banking industry specifically in Commercial Bank of Ethiopia (CBE) and also investigating the real factors of branch site decision in Ethiopia. The materials used for this thesis consist of both primary and secondary data from varied sources like Ethiopian Mapping Agency, district managers of CBE, some staffs in the district head office that are directly involved in the decision making, customers of CBE, and from ground survey. The type of data that was collected from these sources was about GIS based decision making process, factors influencing bank branch location, the manual decision making that has been used so far in CBE. The main research problem is lack of use of GIS in CBE in branch location decision and also absence of literature in Ethiopia about location factors of a bank.

One of the most important decision-making processes in banks is site selection for a new branch and for Automated Teller Machine (ATM) location. The site has to be perfectly selected in such a way that the access for the target customers and the highest market potential would be assured. This study shows how a Geographic Information System (GIS) based model is used for locating suitable sites for opening new branches. The model was applied in Commercial Bank of Ethiopia. The concept of main branch location factors are shown in following Figure (2.3).

**Figure (2.3) A Geographic Information System (GIS) based model used for opening new branches**



Figure 1: Model of the factors for new bank branch site decision

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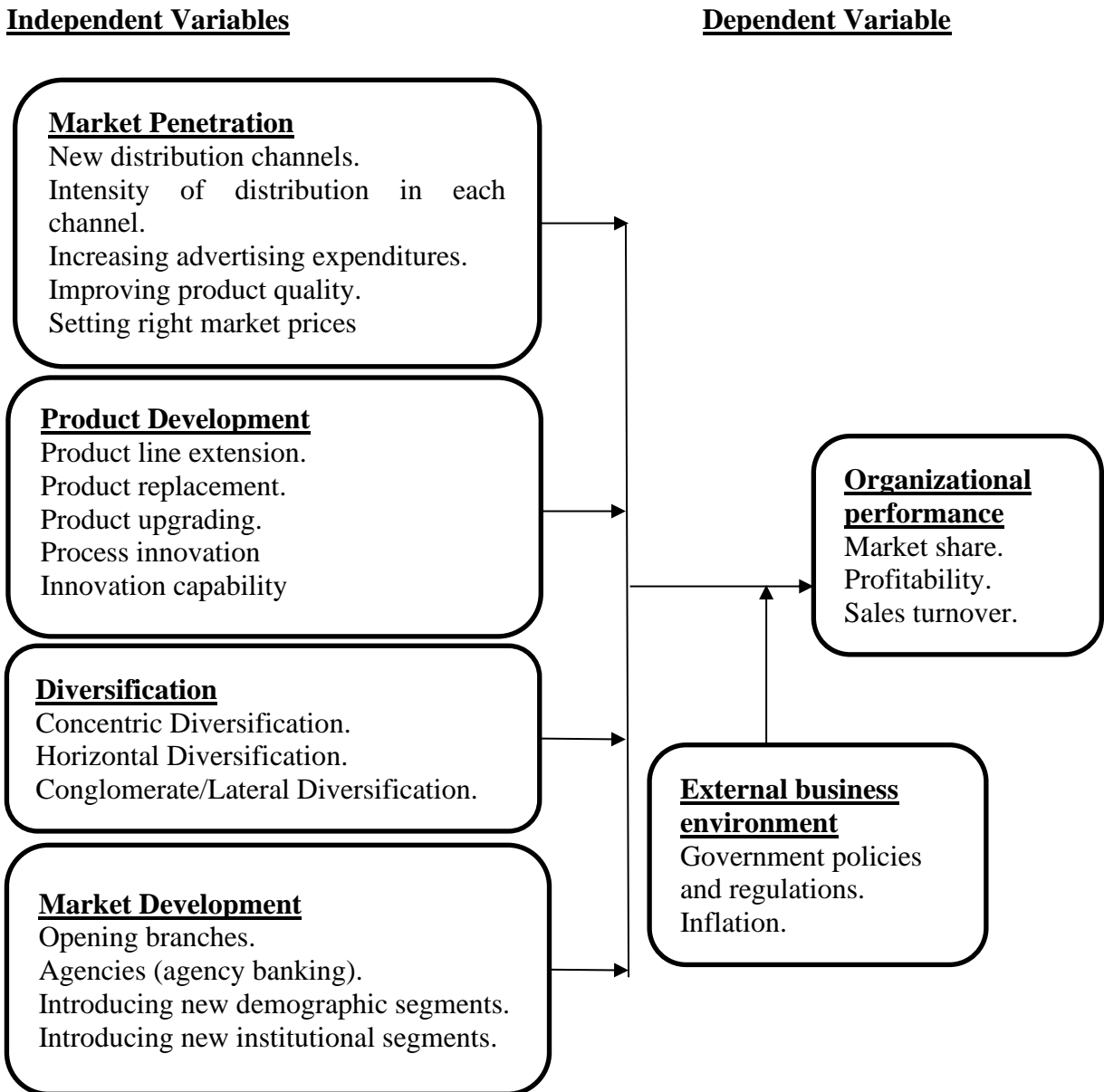
Source: Amare.et al (2020)

The above study benefits is those who are involved in banking business since it shows them how to use the fast, cheap, and accurate method GIS as decision support tool. Finally, the factors for branch site selection in the Ethiopian context were identified and based on the GIS analysis, the suitable places for locating bank branch in the study area were identified. Accordingly, 30km<sup>2</sup> of the total GIS study area/Yeka sub city was found to be suitable for bank branch location.

Peninah Mutuma (2013) studied the effect of expansion strategy on performance of Commercial Banks in Kenya. The specific objectives of this study is to establish the effects of market development expansion strategies on performance of Tier one Commercial Banks in Kenya, to asses the effects of diversification expansion strategies on performance of Tier one Commercial Banks in Kenya, to determine effects of product development expansion strategies on performance of Tier one Commercial Banks in Kenya, to establish how market penetration expansion strategies affects performance of Tier one Commercial Banks in Kenya. A general purpose of this study is s to investigate

the effects of expansion strategies on the performance of Tier one Commercial Banks in Kenya. The proposed research model as shown in Figure (2.4).

**Figure (2.4) The Effect of Expansion Strategy on Performance of Commercial Banks in Kenya**



Source: Peninah Mutuma, (2013)

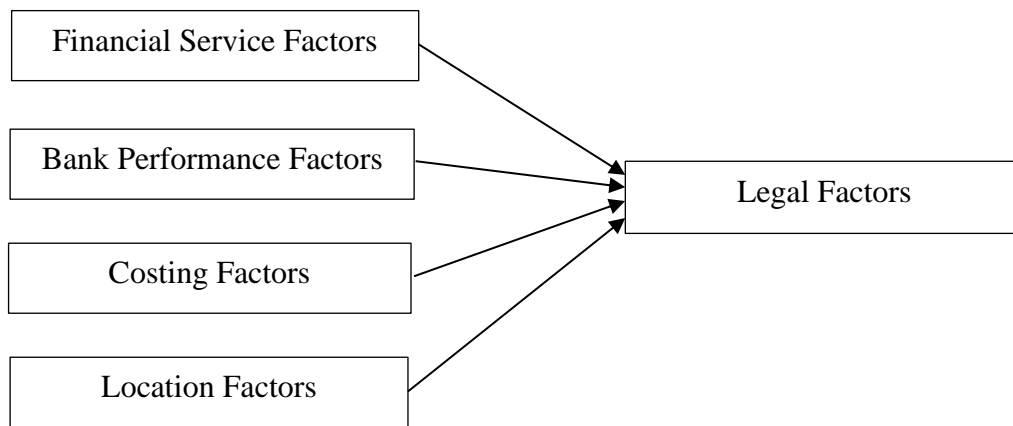
The study found that by adding new distribution channels affect the performance of the bank the respondents agreed to a great extent. On whether increasing the intensity of distribution in each channel affected the performance of the bank respondents agreed to a moderate extent. In addition, investigating how increasing advertising expenditures

affected the performance of the bank the respondents indicated to a great extent and finally the findings indicated that changing product attributes to provide more value to the customer by improving product quality affected the performance of the bank to a moderate extent.

## 2.5 Conceptual Framework of the Study

The conceptual framework of the study was created based on Meescrichan and Fongsuwan (2014). The concept of this model was to analyze the factors influencing on expansion of banks' branches expansion in Thailand. After studying the international papers on banks' branches expansion, have selected the four factors that are relevant and convenient for the Myanmar banking industry. The conceptual framework is presented in figure (2.4):

**Figure (2.5) Conceptual Framework of the Study**



Source: Own compilation adapted from previous studies, 2023

This framework attempted to establish and explain the factors influencing on expansion of SHWE Banks' branches. The bank selection criteria in this study includes financial service factors, economic factors, costing and location which were influencing on expansion of the Banks. The working definition are presented in this study;

- (i) Financial Service Factors: Large majority of cost and efficiency studies in the financial sector have focus on the banking industry, not only because of its great important within the financial system, but also because extensive cost data are available for some banks.
- (ii) Bank Performance Factors: To be analyzed in investing is the Return on Investment (ROI). In addition, for investors to open more branches, The Bank



criteria state that they must have a reasonable and satisfactory financial position with the ability to absorb the risks of opening new branches. In addition to the internal factors mentioned above, there are also external factors including the economic environment, market influence, banking relationships with the customers.

- (iii) **Costing Factors:** The doing business is based on customer behavior. The large branch has more efficient business operations while smaller branches have higher operational costs related to buildings, bank location as well as equipment installation. Small community banks with 8-10 employees can grow but they must have a strategic plan in a highly competitive market.
- (iv) **Location:** The newer technologies for storing and transmission financial information have eroded the significance of location (geography) as the main determinant of which financial firm a customer chooses today. The location, design, and service offered by a branch office depend, first, upon the preferences of customers and second, on the preferences of management and employees.
- (v) **Legal Factors:** The legal framework for banking and finance is crucial role for the effect of bank expansion on performance of the bank. Experience bankers are very usefulness for bank development and the performance of CBM and offering of license.

## **CHAPTER III**

### **THE PRACTICES OF SHWE BANK PERFORMANCE**

In this chapter aims to present the practices of Shwe Bank performance. It is presented in five sections, profile, organizational structure, management mechanism and bank culture, banking services, development of Fintech.

#### **3.1 Origin of Shwe Bank**

Directorate of Investment and Company Administration under Ministry of Planning and Economic Development of the Union Government registered SHWE Rural and Urban Development Bank to incorporate as a limited company on 14 February 2014 and the Central Bank of Myanmar granted a banking license on 28 July 2014.

As per the said approval from the Union Government as well as the Central Bank, in order to lunch SHWE Rural and Urban Development Bank (Head Office) and a Branch at the Head office, the infrastructure including Vaults and Data Centre are under construction at a 9- storied building at the corner of Pansodan Road and Merchant Street, where the financial market of Yangon is located.

Bayintnaung branch was opened on 5 December 2016. In 2017 Shwe Bank opened three branches. One of branches is in Mandalay, which was opened on 23February 2017. And then another branch was opened in Yarzardiyit, Botahaung Township, Yangon, on 20 June 2017. The last branch was opened in Shwe Gone Thu, lower Kyimyindaing Township, Yangon on 29 November 2017.

The next two branches were opened on after the 2019. One of branches is in Mawlamyine, Dine Won Kwin Road, Mandalay Ward, and the another branch was opened in Naypyitaw, Thapaya Kone Ward, Zabuthiri Township. In addition to, the branches that are preparing to open new branches are Bago branch and Pyay branch, which are preparing to expand and Bago city and Bago district Pyay city in Bago province.

### **3.2 Organizational Structure of Shwe Bank**

The Bank's Board of Directors is the highest authority led by the Chairman and made up of Vice Chairmen and Managing Director. The Board lays down policies of SHWE Bank whereas Functional Committees led by the Managing Director are to execute the operations of SHWE Bank. SHWE Rural and Urban Development have fourteen departments.

They are as follows;

- (i) Administrative Department
- (ii) Human Resources Development Department
- (iii) Account Department
- (iv) Finance Department
- (v) Domestic Banking Department
- (vi) Currency Department
- (vii) International Banking Department
- (viii) Electronic Banking Department
- (ix) Agent banking Department
- (x) International Business Development Department
- (xi) loans Department
- (xii) Internal Audit Department
- (xiii) Legal Department
- (xiv) Top Management Office.

### **3.3 Management Mechanism and Bank Culture of Shwe Bank**

The Bank Board of Directors is the highest authority led by the Chairman. Top Management is the highest authority that realizes the policies laid down by the Board. Heads of Departments execute the operational plans as directed by the Top Management. Committees: The three committees below are organized with the Bank's Directors, outsourced experts and high-ranking Bank officials. There are:

- (i) Risk Management Committee
- (ii) Credit Committee and
- (iii) Audit Committee.

As every bank has a bank culture of laying down its own principles to achieve their business objective. In accordance with bank culture, SHWE Rural and Urban Development Bank also has formulated mission, vision, commitment, core values. Mission of SHWE Rural and Urban Development Bank is to contribute to rural and urban development by providing high quality financial products and services. SHWE Rural and Urban Development Bank' Vision is to be the premier bank in Myanmar that provides diverse financial services to impact our Rural and Urban Development in nation-building.

SHWE Bank's commitment is to serve valued customers of SHWE Bank by providing the highest standard of innovative banking services through our dedicated and professional staff. Core Values are Integrity & Ethics, Trust, Professionalism, Commitment and Enthusiasm.

### **3.4 Banking Services of Shwe Bank**

Banking Operations in SHWE Bank can be classified into two categories:

- (1) To acquire deposits and
- (2) To invest the funds

Capital, Public Savings, Public Deposit, Time Deposit, Loans from Domestic Banks, Loans from Foreign Bank, Loans from Government, Loans from organizations such as NGOs, ADB and JICA, Issue of Debentures and Certificates of Deposits are major source of funds.

The funds acquired are loaned out as short term, medium term and long term loans, Hire Purchase loans, Leasing loan, Commercial loans, Project loans, Loans for Rural Area, Loans for Urban Area as major investments of the bank. SHWE Bank will engage in Internal Remittance, ATM Card, Mobile Banking, Bill Collection and Cash card services. Where Mobile Banking is concerned, Regional Service Partners (RSPs) of SHWE Bank's Brother Company SKYNET throughout Myanmar will become SHWE Bank's agents. They will render banking services like Cash in/ Cash out/ Cash Transfer at affordable rate to Urban and Rural citizens. Through Mobile Banking system we will focus our services on urban and rural population in order to develop financial inclusion.

Moreover, SHWE Bank will provide retail banking services as follows; Domestic Banking Services for Deposit are (i) Current Deposit (ii) Saving Deposit (iii) Fixed

Deposit (iv) Call Deposit and (v) Special Deposit. Domestic Banking Services for Loans are (i) Loan Terms Loans/Short Terms Loans (ii) Overdraft (iii) Hire- Purchase (iv) Employees Loan and (v) Small & Medium Enterprise (SME). Other Services are (i) Safe Deposit (ii) Internal Remittance (iii) Agent Banking (iv) Debit Card (v) Credit Card (vi) Gift Cheque (vii) Payment Order and (viii) Guarantee Letter. International Banking Services are L.C (Export, Import), Bank Guarantee, T.T, Currency Exchange, International Remittance, Cash Card (Master, Visa).

On 14 February 2014, Shwe Rural and Urban Development Bank registered as a limited company to the Division of the Ministry of Planning and Environment of the Union government and issued a banking license to the Myanmar Central Bank on 28 July 2014. According to the aforementioned approval, on 11 January 2016 at the corner of Merchant Road and Pansodan Street, Yangon, by the Union Government and by the Central Bank, Shwe Rural and Urban Development Bank (Head Office) and Head Office Branch was opened.

Shwe Bank was established. It is a private bank with approved share capital of Kyat 100 trillion and paid-up capital of Kyat 60,525 trillion. The cutler, while catering to domestic and international finance industries at the same time. At December 2019, the bank's capital ratio was 25.57%, sufficient to meet the minimum 10% cap of the Central Bank of Myanmar. It aims not only to provide people with safe deposits, it also aims at facilitating the commercial development of individuals and businesses by giving loans and advances. It also supports Myanmar Economy.

Shwe Bank offers banking services such as domestic transfers, foreign transfers, exchange, the acceptance of savings, current or fixed deposits as well as credit and 20 deposits, the purchasing operations of operating hires, the issuance of bank guarantees, online payment system operations, business financial services, 24-hour ATM transactions and the provision of a customer calling centre. It also offers bank services in accordance with the provisions of the Central Bank of Myanmar's rules and regulations.

Also available in the banking industry are various other conventional services and modern related services known as agency services and utility services. This includes money transfers, regular payments, collections, drafts and other programs. Shwe Bank communicates not only in branches with its clients, but also through mobile phones and internet banking platforms. Bank services are offered not only in traditional ways but also

through modern technological integration. For many years now, debit cards like MPU, VISA, Master, JCB and CUP are in use. It is a national payment platform that allows card holders to connect and withdraw to any Member Bank POS. MPU is a national payment platform.

### **3.5 Developments of Fintech in Shwe Bank**

Until Shwe Bank was founded in 2016 there were over 24 banks and big players in major cities were mostly dominated by the industry. Yet Management has seen the new possibilities for banks around the globe and has opted to use the core banking system, the cornerstone of modern banking.

#### **3.5.1 Core Banking System**

The banking sector is expanding rapidly. In the past, what was a deposit-and loaning network has become a full-service company delivering a range of services. However, it is a daunting task to implement a core banking system and many banks still hesitate to face up to this challenge. The enormous cost, time to complete, and cultural change are just a few of the obstacles a bank has to face. Central banking is a financial service provided by a network of linked Bank branches where customers have access to their bank and carry out simple transactions from any of the member branches." Core Banking is, to put it simply, an interconnected banking system which allows customers to carry out diverse banking activities from all over the world and to conveniently benefit from superior banking services.

As Myanmar banking industry was outdated and it took a full day for a transaction to take into account several decades ago, as data from the local branch servers were only sent to the data center at the end of the day. That's a question of the past, however. Any financial operation can now be completed within a few minutes with the central banking transition. And the best thing is that the consumers need not even enter the branches of the bank. Core banking applications can simplify multiple banking operations while increasing front-end employees ' workload. Staffs should focus on more important tasks such as selling new products and customer satisfaction, given that a lot of back-end work is carried out via automation. The unified communication system is also a useful feature that significantly helps improve workplace productivity. It enables employees from various industries to communicate more rapidly and seamlessly.

Core banking systems can integrate many separate programs while reducing maintenance and operational costs. This allows banks to move to a shared services model and to cut costs to maintain traditional systems. Banks can handle a large volume of 22 clients without a lot of infrastructure and support without locating independent banking. Services such as centralized backup and printing also help to reduce costs, as separate systems in the branches need not be maintained.

The days have passed where people have had to attend bank branches and wait in long queues to carry out every form of banking. Today customers are getting a better banking experience without having to fly to bank branches by incorporating key banking systems. Core banking services offer banks services on a range of channels, including internet banking, mobile banking, ATMs, etc. Customers can also enjoy banking from all over the world and carry out numerous bank operations. Another explanation why banks should use core banking services is to standardize processes. Core banking solutions simplify and simplify business processes end-to-end while making them smarter and more efficient. The time to launch new products is growing as a result. Banks are able to minimize manual operations while avoiding human error by standardizing business processes. It helps banks to provide competitively priced products and to shift towards intelligent income growth.

Shwe Bank and its management decided to use Oracle Core Banking System to improve employee efficiency, to minimize the cost of operation, to convenience to the customers, to improve customer retention rate and to standardize banking processes. There are also some important reasons why banks should continue with the core banking cycle today. The trends of the industry are always evolving and consumer expectations are changing. To order to remain competitive on the market, a bank must choose the best core banking strategy and pursue the necessary measures to successfully implement it. Happy customers are the cornerstones of Shwe Bank. Core banking services allow banks to provide 24/7 banking services on an individual basis, while increasing customer satisfaction.

### **3.5.2 Mobile & Internet Banking System of Shwe Bank**

Mobile banking is a Shwe Bank system that allows consumers to make financial transactions directly using a mobile phone or tablet, for example. Mobile banking is a network. It uses software, commonly known as an app, supplied for purposes by Shwe

Bank. Mobile banking on a 24-hour basis is available. Customers determine which mobile banking accounts they can use and the amount to be transacted can be restricted. The availability of Internet or the data connection to a mobile device relies on mobile banking.

Mobile Banking transactions rely on the features of the mobile banking software which usually involves accessing account balances and lists of recent transactions, payment of online bills, P2P purchases and transfers of money between accounts of a company or another. The Shwe Bank Mobile Banking App also offers the possibility of downloading and sometimes printing copies of statements at customer premises. The use of a mobile banking app increases ease of use, speed, accessibility and privacy, also because it combines mobile security measures and consumer oriented application security systems. In the banking context, mobile banking decreases transaction cost by minimizing consumers ' need to visit a branch of the bank for non-cash withdrawal and deposit. Mobile banking does not comply with money-related payments and the customer may make a cash withdrawal or deposit at an ATM or bank branch. This reduces the expenses of Shwe's bank by using mobile banking, increases customer experience, enhances security and allows app data to be obtained and maintained.

### **3.5.3 Electronic Banking**

From the beginning of the Shwe Bank Electronic Banking Department was set up. Since the first branch, the bank has become one of the first banks to offer services such as ATMs, POS (Sales Point) and Debit Card. Electronic banking is one mechanism that allows for the transfer of money, not through cash, checks or other forms of paper documents, by means of an electronic signals exchange. Transactions between banks and businesses, such as stores, take place. Whenever someone withdraws cash or pay for food by means of a debit card from an automatic teller machine (ATM), funds are transferred via electronic banking (that draws the amount due from a savings and/or checked account in the store).

Electronic banking depends on comprehensive computer systems (Core Banking System) communicating through telephone lines. Such software systems record money transfers and ownership and monitor customer methods and banking use for accessing funds. Access code, such as a personal ID (PIN) can be used to collect the money from an ATM machine by a common method of access (or identification). The electronic banking systems are different and vary in size. A small system is, for example, an ATM network, a



series of linked, automated dealer systems connected to a centralized core banking system. As user convenience is that key in these days, and the country is going to a cashless society, ATM and bank card services (Debit & Credit) can boost the attractiveness of customers to the bank. It also offers E-commerce which customers can buy or sell products online, make and receive payments.

#### **3.5.4 Agent Banking**

According to GIZ Report (2018) only 26% of adult population has access to bank accounts in Myanmar. While 70% of population are living in rural areas, it is not easy for them to come to bank branches which are only situated in towns and cities. Shwe Bank's aim is to give latest financial services to all rural and urban areas, Agent Banking also play the vital role to meet its vision.

A banking agent is a retail outlet contracted by Shwe Bank to process clients' transactions. The owner or retail employee conducts the transaction instead of a branch teller, allowing customers to pay, retire, redevide, or collect governmental benefits or direct deposits from their employer. Instead of a branch director, he is the owner or retail employee. Banking agents can be banks, supermarkets, food stores, lottery outlets, postal services, etc.

Such distributors were increasingly used for the Shwe Bank as major distribution channels. Agent are typically equiped with a combination of a card reader for point-of sales (POS), a mobile phone, a mobile banking account, a personal ID (PIN) pad and, sometimes PCs that link via a personal dial-up or other data connection with the bank's database. Customers who transact with the agent have access to their bank account via a magstripe bank card and mobile phone. Usually, a PIN is used to identify customers. Banking agents are close to any other remote bank networks for the payment confirmation, authorizing and settlement system.

Banking agents allow the bank to draw existing clients from crowded branches which provide an often more convenient "complementary" network. Some financial institutions use agents to enter an "additional" consumer segment or geography, particularly in developing markets. The penetration of poor rural consumers also costs financial institutions prohibitively since the amount and size of transactions do not cover the cost of a business. In such settings, the banking industry make a significant

contribution towards offering multiple low-income persons their first access to a range of financial services by focusing on existing retail networks—and reducing setting and operating costs. Low-income customers also often feel more at home banking than entering a business.

Banking agents are the backbone of mobile banking, i.e. transactions are carried out over a mobile device, usually a mobile. Customers need to visit a store, an automated ATM machine or a bank officer in order to convert cash into electronic money and vice versa, which can be sent via their mobile phone. In particular, a mobile banking system relies on Banking Agents for efficient use of the services in rural or distant locations where cash is the most valuable way to pay and transact.

## **CHAPTER IV**

### **ANALYSIS OF INFLUENCING FACTORS ON EXPANSION OF SHWE BANK'S BRANCHES**

This chapter presents the interpretation of the results that were gathered from the questionnaire. It consists of the research design, demographic profile of respondents, reliability analysis, analytical methods and tools used in this research, and the relationship between variables. Based on the data, the analysis is performed by using descriptive statistics.

#### **4.1 Research Design**

The study focuses on factors influencing the expansion of banks' branches in SHWE banks, Myanmar. It was collected from 48 percent registered of the respondents of CEO to Manager from the 70 percent of these respondents in the SWE Rural and Urban Development Bank by using simple random sampling methods.

Quantitative research techniques are used in this study. Both primary and secondary sources of data are used in this research. Target population of this study is the employees of selected private banks in Yangon. To get the size of sample from the population Taro Yamane (1973) formula is taken in a consideration.

A five-point Likert scale is used in the survey questionnaire for measuring the strength of a respondent's opinion. In the questionnaire contains three parts; Part A is respondent's profile; part B is financial service factor, economic factor and location factors, costing factors and part C is factors influencing on expansion of Shwe Bank branches in Myanmar measured with five Likert scale survey question, which are given numerical values ranging from strongly disagree to strongly agree (ranging are on 5-point scale; strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, and strongly agree = 5). Descriptive statistics such as mean, percentages, and standard deviation were used. This study employed quantitative research method using multiple linear regression methods in SPSS 23 to analyze the data and test the hypotheses. Reliability and validity of data tested before proceeding to the regression analysis.

In a sampling technique, each member of a population has an equal chance of being chosen, through the use of an unbiased selection method (Simkus, 2022). As a

sampling technique, the random sampling method was used in this study to minimize any biased representation. In addition, the multiple regression model is used to investigate the role of demographic factors as moderators of factors influencing in expansion of Shwe Bank's branches.

#### 4.2 Demographic Profile of Respondents

The initial phase of analysis is to determine the characteristics of the respondents involved in the study. It was collected from 48 percent registered of the respondents of CEO to Manager from the 70 percent of these respondents in the SWE Rural and Urban Development Bank by using simple random sampling methods. Respondents' profiles include general information such as gender, age, marital status, education, position, income, service years, popular products of Shwe Bank Branches and number of branches opened per year are identified. Each characteristic has been analyzed in terms of absolute value and percentage, and the summary table of demographic characteristics is used to display these data more clearly. Table (4.1) indicates the summary table of demographic characteristics of respondents.

**Table (4.1) Demographic Characteristics of Respondents**

<b>Items</b>	<b>Number of Respondents</b>	<b>Percentage</b>
<b>Total</b>	<b>68</b>	<b>100</b>
<b>Gender</b>		
Male	35	51.5
Female	33	48.5
<b>Age (Years)</b>		
Under 30 – 40 years	36	52.9
41 – 50 years	26	38.2
Above 50 years	6	8.8
<b>Marital Status</b>		
Single	23	33.8
Married	43	63.2
Other	2	2.9
<b>Education</b>		
Bachelor	39	57.4

Post Graduate Diploma	1	1.5
Master	25	36.8
Ph.D	3	4.4
<b>Position</b>		
Manager	48	70.6
AGM	5	7.4
DGM	4	5.9
GM	5	7.4
SRGM	3	4.4
MD	1	1.5
DYCEO	1	1.5
CEO	1	1.5
<b>Income</b>		
Less than 1,000,000MMK	10	14.7
1,000,001-2,000,000MMK	43	63.2
2,000,001-3,000,000MMK	4	5.9
3,000,001-4,000,000MMK	9	13.2
Above 5,000,000MMK	2	2.9
<b>Service (Years)</b>		
1-3 years	10	14.7
4-6 years	58	85.3
7-9 years	-	-
Above 10 years	-	-
<b>Popular Products</b>		
Saving	13	19.1
Bonus Saving	13	19.1
Fixed	11	16.2
Prepaid Fixed	6	8.8
Call Deposit	25	36.8
<b>Branches</b>		
1 branch per years	5	7.4

2 branches per years	22	32.4
3 branches per years	24	35.3
Above 3 branches per years	17	25.0

Source: Survey Data, 2023

For gender, it's divided into two categories, male and female. Out of the 68 respondents, 51.5% are male and 48.5% are female. In the age group, it's divided into three groups, under 30 to 40, 40 to 50 and above 50. Most of the respondents were aged under 30-40 years. Respondents were asked to indicate their respective marital statuses. Among them, 23 respondents, representing 33.8% are singles, and 43 respondents, representing 63.2% are married and 2 respondents, representing 2.9% are others.

Data from the above table, the education level is categorized into four groups; bachelor, post graduate diploma, masters, and Ph.D. Majority of respondents are bachelor person (57.4%). For the position, there are categorized into eight groups, manager, AGM, DGM, GM, SRGM, MD DYCEO, CEO. Most of the respondents are managers who are 48paxes (70.6%). From the result data of income, people with salary 1,000,001 – 2,000,000MMK were the most and comprised 63.2% and 2.9% of respondents got above 5,000,000MMK in a month. In addition, the service years is categorized into four groups, and 4 to 6 years are 85.3% and the majority of the respondents. Moreover, popular product from Shwe Bank branches is categorized into five groups, saving, bonus saving, fixed, prepaid fixed and call deposit. Among them call deposit was the most popular yielding a respondent rate of 36.8% and prepaid fixed was the least popular for users yielding 8.8%. According to above table, most respondents answered the branches that Shwe Bank can be opened was 3 branches per years and comprised 35.3%.

### 4.3 Validity and Reliability Test

The reliability of a measure is examined by testing the data for consistency and stability. Consistency indicates how well the items measuring a concept hang together as a set. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekaran & Bougie, 2009). The range of the coefficient of Cronbach's alpha and its reliability level is as shown in Table (4.2).

**Table (4.2) Rule about Cronbach's Coefficient Alpha**

No.	Coefficient of Cronbach's Alpha	Reliability Level
1	More than 0.9	Excellent
2	0.80 – 0.89	Good
3	0.70 – 0.79	Acceptable
4	0.60 – 0.69	Questionable
5	0.50 – 0.59	Poor
6	Less than 0.59	Unacceptable

Source: Sekaran and Bougie (2009)

Table (4.3) shows that the validity test of all financial service factors, economic factors, location factors, costing factors, branches' expansion is reliable. The questions in the questionnaire that are associated with the different factors influencing on expansion of Shwe Bank branches have the reliability at the level of  $\alpha = .60$  above. The alpha coefficient for all variables is between .629 and .896, suggesting that the items have relatively high internal consistency and that the questionnaire is good.

Based on the mean values of the items, the respondents basically agree on the four factors affecting branches' expansion. Each factor contains a different number of items and is measured on a 5-point Likert scale. In each of the following factors— financial service factors, economic factors, location factors, costing factors—there are 5 questions, respectively. Moreover, branches' expansion is covered by 5 questions in the survey questionnaire.

**Table (4.3) Cronbach's Alpha and KMO Test**

No.	Factors	Number of Items	Number of Removed Items	Cronbach's Alpha	Validity KMO
1	Financial Service Factors	5	-	.632	.578
2	Legal Factors	5	-	.740	.736
3	Location Factors	5	-	.797	.803
4	Costing Factors	5	-	.629	.590
5	Bank Performance Factors	5	-	.896	.861

Source: SPSS Outputs, 2023

The reliability test of all variables is divided into two different tests: The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. The KMO values of all statements enter into the interval .5 ~ 1, therefore, none of the statements is eliminated from the analysis after checking the KMO measure values of all questionnaire statements. The general KMO measure of sampling adequacy is counted as the mean of the KMO of all statements; in this case, all KMO values are above (Table 4.3); this shows a rather high data dispersion, which can be explained by the factors. The KMO measure can take values from .5 to 1; the closer this measure is to 1, then the higher the sampling adequacy is in the relation of data.

#### **4.4 Influencing Factors on Branches' Expansion**

The influencing factors are considered in this study include financial service factors, economic factors, location factors, costing factors. The mean value scales are interpreted by using the score level defined by Best (1977) in the following Table (4.4).

**Table (4.4) Scoring Range of Likert Scale**

Level	Range
Worst	1.00 – 1.80
Bad	1.80 – 2.60
Average	2.61 – 3.40
Good	3.41 – 4.20
Best	4.21 – 5.00

Source: Best (1977)



#### 4.4.1 Financial Service Factors

This is one of the factors effects on branches' expansion of Shwe Bank. In the analysis of this factor, there are five items. The mean and standard deviation of each statement is determined as the descriptive measure in order to determine the influencing level of financial service factors. The mean and standard deviation of each statement in structural assurance results are shown in Table (4.5).

**Table (4.5) Financial Service factors**

<b>No.</b>	<b>Items</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	Good performance of the bank financial services not only encourage the existing customers' build trust but also in more new ones.	3.29	.575
2	Due to the good marketing strategies of the banks' branches, they can provide maximum customers' satisfaction level.	3.66	.614
3	Customers' service training could provided frequently to improve the staff customer service.	3.75	.529
4	Online banking system are available.	3.91	.566
5	ATM services are provided.	3.93	.654
<b>Overall Mean</b>		3.71	

Source: SPSS Outputs, 2023

According to the Table (4.5) result, the range of mean value ranged from 3.29 to 3.93. It indicated that respondents agreed the financial service factors which influence the branches' expansion of Shwe Bank since the overall mean value is 3.71 which are greater than the statistical average 3. Standard deviations are lower than 1 that means data are less deviate from the mean and the result of survey data were more acceptable. Therefore, it shows that employees agreed that financial service factors of Shwe Bank are good according to score range of Likert scale table.

#### 4.4.2 Bank Performance Factors

Information quality factor is also important influencing to open more branches. It has five enquires. By analyzing means and standard deviations, can be seen how concerned the respondents on the result of economics factors. The mean values for working conditions are shown in the below Table (4.6).

**Table (4.6) Bank Performance Factors**

<b>No.</b>	<b>Items</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	Impact of Return on Investment (ROI) on branches expansion.	3.56	.655
2	Impact of Return on Assets (ROA) on branches expansion.	3.87	.571
3	Effectiveness of Return on Equity (ROE) on branches	3.91	.707
4	Increase Gross Profit Margin on branches expansion.	3.88	.764
5	Increase dividend shares on branches expansion.	4.04	.679
<b>Overall Mean</b>		3.85	

Source: SPSS Outputs, 2023

According to the above Table (4.6) result, the mean value ranged from 3.56 to 4.04 – above acceptable level. The respondents agreed economic factors that influencing on branches’ expansion since overall mean was 3.85 which are greater than the statistical average 3.

#### 4.4.3 Location Factors

Location factors is paramount importance both to the banking organization as well as for the convenience of the customer. The respondents expected that choices of location is one of the influencing factors on branches expansion. It has five enquired items. The analysis results of means and standard deviation results are shown in following Table (4.7).

**Table (4.7) Location Factors**

No.	Items	Mean	Std. Deviation
1	Branches location is based on the competitor banks.	3.66	.660
2	Easy to access banking products and services.	3.84	.725
3	Convenience for customers.	3.94	.710
4	There is good car parking in the bank.	3.87	.751
5	Attractiveness of bank building.	3.96	.818
<b>Overall Mean</b>		3.85	

Source: SPSS Outputs, 2023

According to the above Table (4.7) result, the means ranged from 3.66 to 3.96. The respondents agreed that location factors influence on branches' expansion since overall mean was 3.85 which are greater than the statistical average 3. The standard deviation results were less than 1 and there was a little deviation from mean.

#### 4.4.3 Costing Factors

The cost of doing business is based on customer behavior and costing factors one of the factors influencing on expansion of branches. The survey was comprised of FIVE items. The means and standard deviations of trust survey questions are shown in the following Table (4.8).

**Table (4.8) Costing Factors**

No.	Items	Mean	Std. Deviation
1	Effectiveness of renovation cost.	3.53	.722
2	The usefulness of the set up cost.	3.69	.629
3	The important of training cost must be considered for core banking ORECALE software.	3.69	.652
4	The implementation costs of core banking ORECALE software must be considered for the branch expansion.	3.79	.764
5	The cost of gift and present for customers.	3.60	.602
<b>Overall Mean</b>		3.66	

Source: SPSS Outputs, 2023

According to the above Table (4.8) result, the mean values ranged from 3.53 to 3.79. The respondents agreed costing factors is the factor influencing on branches' expansion of Shwe Bank since overall mean was 3.66 which are greater than the statistical average 3. The standard deviations were less than 1 that mean there were a little variable but not important.

In the summary Table (4.9) showed overall means and standard deviation results of influencing factors: including financial service factors, economic factors, location factors and costing factors.

**Table (4.9) Overall Mean Value of Dependent Variables**

<b>Variable</b>	<b>Mean</b>	<b>Standard Deviation</b>
Financial Service Factors	3.71	0.5876
Legal Factors	4.03	0.6752
Location Factors	3.85	0.7328
Costing Factors	3.66	0.6738
Bank Performance Factors	3.85	0.7648

Source: SPSS Outputs, 2023

All the above result showed that the mean results of four factors: financial service factors, economic factors, location factors and costing factors were above 3. That showed respondents' perceptions were good enough to accept these four factors are related to branches' expansion of Shwe Bank in Myanmar.

#### **4.4.4 Legal Factors**

Legal factor is one of the most important factors that will decide future of Shwe Bank. In this survey data, factor was comprised of five question items. The means and standard deviation results were shown in Table (4.10).

**Table (4.10) Legal Factors**

<b>No.</b>	<b>Items</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	The approval of CBM.	3.87	.827
2	The role of experience banker.	4.07	.798
3	Existing number of branches, implementation, time schedule, safe and convenience location.	4.19	.718
4	Sufficient branches size with safe vault room.	3.96	.818
5	Available to pay branch license fees.	4.06	.896
<b>Overall Mean</b>		<b>4.03</b>	

Source: SPSS Outputs, 2023

According to the above Table (4.9) result, the value of means ranged from 3.87 to 4.19. The respondents showed they accepted the expansion branches of Shwe Bank since the overall mean was 4.15. Shwe Bank branches' expansion is at a good level. The values of standard deviation were less than 1. There was a little variable and no effect on the result.

#### 4.5 Relationship between influencing factors and branches' expansion of Shwe Bank

To analyze the relationship between independent factors and dependent factors, correlation and regression analysis will be made. Correlation is a measure of the relationship between two variables; statistical value (-1 to 1) is given by the correlation coefficient for measuring direction and intensity of the linear relationship between two variables. For this analysis, the correlation coefficients of the individual were determined by bivariate regression. Bivariate correlations, which test the strength of the relationship between two variables without taking into account some other variable to the intervention, may trigger the relationship between the two variables being tested. In this study, relationship between each factor such as financial service factors, economic factors, location factors, costing factors and branches' expansion factors are conducted. The average scale scores were determined for each scale to perform the study and determine the studied objective and to find the correlation coefficient for each pair of variables. Table (4.11) shows the relationship between average scores of usage of influencing factors and bank performance.

**Table (4.11) Correlation between Independent and Dependent Factors**

No	Factors	Correlation Coefficient	P-value
1	Financial Service Factor	.540**	.000
2	Bank Performance Factors	.549**	.000
3	Location Factors	.497**	.000
4	Costing Factors	.535**	.000
5	Legal Factors	1	
** Correlation is significant at the 0.01 level (2 tailed)			

Dependent variable: Legal Factors  
Source: SPSS Outputs, 2023

#### 4.6 Effect of Bank Expansion on Performance of Shwe Bank

Multiple regression analysis was performed to reveal the relationship between the independent variables (financial service factors, economics factors, location factors, costing factors) and the dependent variable (branches' expansion). The results of the multiple regressions are illustrated in the following Table (4.12).

**Table (4.12) The Effect of Bank Expansion on Performance of Shwe Bank**

	Unstandardized Coefficients		Standardized Coefficients <b>Beta</b>	t	Sig.	VIF
	B	Std. Error				
(Constant)	2.023	.728		2.778	.007	
Financial Service	.626***	.202	.343	3.094	.003	1.668
Bank Performance	.491***	.163	.341	3.014	.004	1.733
Location Factors	.134	.167	.107	.802	.426	2.402
Costing Factors	.642***	.151	.403	4.252	.000	1.220
R Square	.535					
Adjusted R Square	.506					
F Value	18.148***					
Statistically significant indicate *** at 1%, ** at 5%, and * at 10% level						

Source: SPSS Outputs, 2023

The above results show that the coefficients of financial service factors, economics factors and costing factors are significant at 1% level while location factors is not significant (p-value= 0.426), which is indicated by the value of F-statistic. The result of multicollinearity statistics by using variance inflation factors (VIF) were > 1. It can be seen that the influencing factors were moderately correlated with branches' expansion. The coefficient of determination indicates that the variation of affecting factors is predicted by four independent variables, as the value of R<sup>2</sup> is 50.6%. Based on the results, branches' expansion is affected by financial service factors, economic factors and costing factors. Among these factors, costing factors is the most affecting influencing factor of branches' expansion for Shwe Bank in Myanmar. And the second affecting of influencing factor is financial service factors and the third one is economics factors.

## **CHAPTER V**

### **CONCLUSION**

This study focus on the factors influencing on branches expansion of Shwe Bank limited. In addition, the suggestions and recommendation derived from the findings of the study are also discussed and identified areas for the further research and limitation of the study.

#### **5.1 Findings and Discussions**

This study mainly focuses on the factors influencing on branches expansion of Shwe Bank limited. There are two main objectives: to identify the process of branches expansion in Shwe Bank and to analyze the factors influencing on branches expansion of Shwe Bank.

In this study, it was collected from 48 percent registered of the respondents of CEO to Manager from the 70 percent of these respondents in the Shwe Bank by using simple random sampling methods. Concerning the demographic factors of the respondents, majority of the respondents are male under 30 to 40 years old. Regarding the educational level, most respondents possess bachelor degree and their income level is between 1,000,001 kyats and 2,000, 000 kyats. Moreover, the most respondent are working at manager level.

For branches Expansion, this study has divided into four factors namely, financial service, bank performance, location and costing. According to the mean values, all of the variables of mean values is above 3. In the financial service factor, the majority of the respondent agreed that the internet banking services can be cheaper than traditional banking services. In bank performance factor, the major of the respondent stated that the return on equity are also affect by the branches expansion. In addition to, costing factors, the majority of the respondent presented that the large branch has more efficient banking operations while smaller branches have higher operational costs related to building, furniture and IT machines. Furthermore, location factors, the majority of the respondent agreed that Customers' awareness of the products of services will results in an increase in market share which increase the profitability of bank branches.



According to the correlation analysis, in this study, the relationship between each factor such as financial service factors, economic factors, location factors, costing factors and branches' expansion factors are conducted. The average scale scores were determined for each scale to perform the study and determine the studied objective and to find the correlation coefficient for each pair of variables.

According to the multiple regression, results show that the coefficients of financial service factors, bank performance factors and costing factors are significant at 1% level while location factors is not significant (p-value= 0.426), which is indicated by the value of F-statistic. The result of multicollinearity statistics by using variance inflation factors (VIF) were  $> 1$ . It can be seen that the influencing factors were moderately correlated with branches' expansion. The coefficient of determination indicates that the variation of affecting factors is predicted by four independent variables, as the value of  $R^2$  is 50.6%. Based on the results, branches' expansion is affected by financial service factors, economic factors and costing factors. Among these factors, costing factors is the most affecting influencing factor of branches' expansion for Shwe Bank in Myanmar. And the second affecting of influencing factor is financial service factors and the third one is economics factors.

## **5.2 Suggestions and Recommendations**

The development of the banking sector is important role in the soundness of the economic development of Myanmar. Myanmar is already being in the middle of economic transition period and slowly moved from centralized economic system to market oriented economic system. Local banks which are the leader of financial sector in Myanmar are trying to fulfill better banking service to public by expanding branches in regional level and performing for development of nation. Accordingly, the banking sector now plays significant role in improving the socio economic wellbeing of the country through mobilization from savings, investment, setting the price and keeping financial assets, monitoring borrowers, managing financial risk and organizing the payment system in the economy.

In this research, financial service, bank performance, location and costing factors are the most important process for bank branches expansion strategies and plans. It is important to study the following key points if the commercial bank want to be successful

in banks' branches expansion activities. Bank branches expansion are also helps to the extension of business and by smoothing economic functions, Moreover, they can be providing financial aid for entrepreneur in the concern regions and to help developing of the economic growth of the country. As the highlights of the research, financial service factor of Shwe bank such as not only deposit and loan from customer are important but also total assets include share holders' fund is important to growth of the bank. The banks' need to create and maintain the better relationship with the entire share holders'. The financial service marketing department need to creative and initiative to fulfill the needs and wants of the target customers'. Today, the competition is become more intense in Myanmar banking industry along with the development of the country. Shwe Bank target to become one of the best performing bank in Myanmar at year 2023 by it' strong mission, vision and internal and external collaboration. Branch expansion' plans includes number of branches and time to open. If a banking institution wants to open a new branch, it must comply with guidelines from the Central Bank of Myanmar and submit a branch expansion plan once a year. They must also request permission to open the branch from the CBM and qualify in accordance with the rules and regulations. The plan must include the number of branches that are going to be established, their location, reasons for opening, projected opening date, clear financial data concerning both the bank and the branches and a map showing the location of the branch

External economy will affect the organization's strategy and the commercial banks' strategic planning and staffing for expansion and influence the location choice, branch cost and size. It also affects ROI and the amount of risky debt the bank is willing to take on. Consumer behavior, income, population density and demographics of the selected community are also external factors. Other factors include implemented transaction technologies and the potential for future expansion. It is therefore, wise and prudent for banks to move forward with their branch expansion plans leading to increased market share and future profitability from a larger consumer base. Location factors are influenced by financial service and economic factors including branches characteristics, customer awareness and population. The banking businesses need to focuses marketing strategy on the needs of the customer so, if the consumer population requires more services, equipment and technology tools have to be available to support the bank branch. And banks have to develop a culture focused on the needs of the consumer. The existence of technological tools, including the recognition of marketing communications and the

targeting of customer data, will result in an increase in market share and affect bank branch profitability.

Costing factors are influenced by financial service and bank performance factors as well as location. Location includes other components such as size and equipment and technology. The size of the branch affects the sustainability of bank branches and large branches are efficient business operations. Small community banks with 8-10 employees can grow but they must have a strategic plan in a highly competitive market Using technology for banking services will result in limitless administrative service ability and affects the building of relationships with customers as well as creating a competitive, low cost advantage which also creates confidence among the investors and service users. Banks wishing to open branches in Shwe bank must have a strong financial standing in Myanmar as well as good operating performance and expertise in international financial transactions. The partner bank must be licensed in a country that already has or has the potential to have, good relations with Myanmar in the fields of finance, trade and investment. The CBM must be supervised by a regulatory authority that has good relations with the Shwe Bank.

### **5.3 Needs for Further Study**

In this study, only four factors are utilized to examine as the influencing factors on branches' expansion in Shwe Bank. Therefore, other factors such as leadership, deposit, loans, and profit should be considered as the influencing factors. The survey data was collected from 70% of the respondents of Manager to CEO. Therefore, the sample with a larger number could be utilized to conduct survey to gain a better perspective on branches expansion. This study is conducted with the effects of independent variables on branches expansion. As further study, analysis of the Geographic Information System (GIS) based branches' expansion research will be conducted. As further study, influencing factors are also effect the expansion of the branches will be used to analyze mediation effect.

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## Appendix-2

### Output

#### Validity

FS

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.578
Bartlett's Test of Sphericity	Approx. Chi-Square	45.541
	df	10
	Sig.	.000

EF

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.736
Bartlett's Test of Sphericity	Approx. Chi-Square	76.143
	df	10
	Sig.	.000

LF

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.803
Bartlett's Test of Sphericity	Approx. Chi-Square	94.399
	df	10
	Sig.	.000

CF

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.590
Bartlett's Test of Sphericity	Approx. Chi-Square	49.220
	df	10
	Sig.	.000

BE

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.861
Bartlett's Test of Sphericity	Approx. Chi-Square	195.875
	df	10
	Sig.	.000

## Frequency Test

### Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	35	51.5	51.5	51.5
	female	33	48.5	48.5	100.0
	Total	68	100.0	100.0	

### Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	under 30 years-40 years	36	52.9	52.9	52.9
	40years-50 years	26	38.2	38.2	91.2
	above 50 years	6	8.8	8.8	100.0
	Total	68	100.0	100.0	

### Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	single	23	33.8	33.8	33.8
	married	43	63.2	63.2	97.1
	others	2	2.9	2.9	100.0
	Total	68	100.0	100.0	

### Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor	39	57.4	57.4	57.4
	Post Graduate Diploma	1	1.5	1.5	58.8
	Master	25	36.8	36.8	95.6
	Ph.D	3	4.4	4.4	100.0
	Total	68	100.0	100.0	



**Position**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manager	48	70.6	70.6	70.6
	AGM	5	7.4	7.4	77.9
	DGM	4	5.9	5.9	83.8
	GM	5	7.4	7.4	91.2
	SRGM	3	4.4	4.4	95.6
	MD	1	1.5	1.5	97.1
	DYCEO	1	1.5	1.5	98.5
	CEO	1	1.5	1.5	100.0
	Total	68	100.0	100.0	

**Income**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1,000,000MMK	10	14.7	14.7	14.7
	1,000,001 - 2,000,000MMK	43	63.2	63.2	77.9
	2,000,001 - 3,000,001MMK	4	5.9	5.9	83.8
	3,000,001 - 4,000,001MMK	9	13.2	13.2	97.1
	above 4,000,000MMK	2	2.9	2.9	100.0
	Total	68	100.0	100.0	

**Service**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 years	10	14.7	14.7	14.7
	4-6 years	58	85.3	85.3	100.0
	Total	68	100.0	100.0	

### Popular Product

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	saving	13	19.1	19.1	19.1
	bonus saving	13	19.1	19.1	38.2
	fixed	11	16.2	16.2	54.4
	prepaid fixed	6	8.8	8.8	63.2
	call deposit	25	36.8	36.8	100.0
	Total	68	100.0	100.0	

### Branches

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 branches per years	5	7.4	7.4	7.4
	2 branches per years	22	32.4	32.4	39.7
	3 branches per years	24	35.3	35.3	75.0
	above 3 branches per years	17	25.0	25.0	100.0
	Total	68	100.0	100.0	

### Descriptive

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
FS1	68	2	4	3.29	.575
FS2	68	2	5	3.66	.614
FS3	68	2	5	3.75	.529
FS4	68	3	5	3.91	.566
FS5	68	2	5	3.93	.654
Valid N (listwise)	68				

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
EF1	68	2	5	3.56	.655
EF2	68	2	5	3.87	.571
EF3	68	2	5	3.91	.707
EF4	68	1	5	3.88	.764
EF5	68	3	5	4.04	.679
Valid N (listwise)	68				

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
LF1	68	3	5	3.66	.660
LF2	68	2	5	3.84	.725
LF3	68	2	5	3.94	.710
LF4	68	2	5	3.87	.751
LF5	68	1	5	3.96	.818
Valid N (listwise)	68				

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CF1	68	2	5	3.53	.722
CF2	68	2	5	3.69	.629
CF3	68	2	5	3.69	.652
CF4	68	2	5	3.79	.764
CF5	68	3	5	3.60	.602
Valid N (listwise)	68				

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
BE1	68	2	5	3.87	.827
BE2	68	2	5	4.07	.798
BE3	68	3	5	4.19	.718
BE4	68	2	5	3.96	.818
BE5	68	1	5	4.06	.896
Valid N (listwise)	68				

## Regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.732 <sup>a</sup>	.535	.506	.48046

a. Predictors: (Constant), Costing Factors, Financial Service, Economic Factors, Location Factors

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.758	4	4.189	18.148	.000 <sup>b</sup>
	Residual	14.543	63	.231		
	Total	31.301	67			

a. Dependent Variable: Branches Expansion

b. Predictors: (Constant), Costing Factors, Financial Service, Economic Factors, Location Factors

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.023	.728		-2.778	.007
	Financial Service	.626	.202	.343	3.094	.003
	Economic Factors	.491	.163	.341	3.014	.004
	Location Factors	-.134	.167	-.107	-.802	.426
	Costing Factors	.642	.151	.403	4.252	.000

a. Dependent Variable: Branches Expansion

## Reliability Test

Reliability Statistics	
Cronbach's Alpha	N of Items
.632	5

Reliability Statistics	
Cronbach's Alpha	N of Items
.740	5

Reliability Statistics	
Cronbach's Alpha	N of Items
.797	5

Reliability Statistics	
Cronbach's Alpha	N of Items
.629	5

Reliability Statistics	
Cronbach's Alpha	N of Items
.896	5

### Correlation

Correlations						
		Financial Service	Economic Factors	Location Factors	Costing Factors	Branches Expansion
Financial Service	Pearson Correlation	1	.484**	.623**	.244*	.540**
	Sig. (2-tailed)		.000	.000	.045	.000
	N	68	68	68	68	68
Economic Factors	Pearson Correlation	.484**	1	.641**	.274*	.549**
	Sig. (2-tailed)	.000		.000	.024	.000
	N	68	68	68	68	68
Location Factors	Pearson Correlation	.623**	.641**	1	.424**	.497**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	68	68	68	68	68
Costing Factors	Pearson Correlation	.244*	.274*	.424**	1	.535**
	Sig. (2-tailed)	.045	.024	.000		.000
	N	68	68	68	68	68
Branches Expansion	Pearson Correlation	.540**	.549**	.497**	.535**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	68	68	68	68	68

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

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