YANGON UNIVERSITY OF ECONOMICS

DEPARTMENT OF COMMERCE

MASTER OF BANKING AND FINANCE PROGRAMME

LOAN REPAYMENT PERFORMANCE OF HANA MICROFINANCE LIMITED

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MBF II - 31

MBF 4th BATCH

JULY, 2024

LOAN REPAYMENT PERFORMANCE OF HANA MICROFINANCE LIMITED

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

ACADEMIC YEAR (2022-2024)

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ABSTRACT

The objectives of this study are to identify the factors influencing loan repayment performance at Hana Microfinance, with a particular focus on agricultural loan clients. Structured questionnaires were employed to collect primary data from a sample of 120 respondents, out of a total of 170 agriculture loan clients, using a simple random sampling method in Pathein Township. The right sample size was determined using the Yamane formula (1967). The findings indicate that borrower characteristics, loan characteristics, business and farming factors, and external factors all positively correlate with repayment performance, with external factors showing the most statistically positive effect. Multiple regression analysis further revealed that loan characteristics, business and farming factors, and external factors significantly impact loan repayment performance, underscoring their importance in enhancing the on-time collection rate. These results suggest that Hana Microfinance can improve loan repayment performance, reduce the number of loan defaulters, and enhance overall financial stability by addressing these key factors. The study emphasizes the critical role of improving these three factors to boost the on-time collection rate of loan repayments.

ACKNOWLEDGEMENTS

First of all, I am deeply thanks to Prof. Dr. Tin Tin Htwe, Rector of the Yangon University of Economics for her permissions to give me the opportunity to become a student of MBF Programme and allowing to implement this study.

I would like to present my great appreciation to Prof. Dr. Tin Tin Htwe, (Retd) Professor/Head of Department, Department of Commerce, for their excellence lectures, kind permission to accomplish and constructive guidance for this thesis. In addition,

I am really grateful to my supervisor, Prof. Dr. Thynn Thynn Myint, Professor/Head of Department, Department of Commerce, Department of Commerce at Yangon University of Economics, for her guidance, valuable idea, useful suggestions, kindness and supervision, and helpful counsel in preparing this research paper. Without her instruction and assistance, I will be unable to do this work. I'd also like to thank my respected teachers and lecturers for their time and important knowledge during my studies at the Yangon University of Economics.

My heartfelt gratitude goes to the Chief Executives Officer, Head of Department, management, and staffs of Hana Microfinance for their generous assistance in sharing knowledge and all of the information required for this study. I'd like to thank all of the students from the MBF 4th Batch for coming together and sharing a spirit of friendship over the learning session. I extend a particular thanks to all teachers for sharing their significant knowledge and experience during their lectures.

Finally, I would like to thank to my family, colleagues and friends for their support and contribution.

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LIST OF ABBREVIATIONS

FRD	Financial Regulatory Department
INGOs	International Non-Government Organizations
MFIs	Microfinance Institutions
MIS	Management Information Systems
MMI	Microfinance and Microcredit Information
MMSE	Myanmar Microfinance Supervisory Enterprise
MSMEs	Micro, Small and Medium Enterprise
HMF	Hana Microfinance Limited
PGMF	Pact Global Microfinance Fund
UNDP	United Nation Development Programme.

CHAPTER I

INTRODUCTION

Microfinance institutions, also known as MFIs, are very important because they enable low-income individuals and small businesses that do not have access to traditional banking resources to get financial services. In the last decade, there has been a rising emphasis on the sustainability of MFIs and their influence on poverty alleviation, particularly in developing nations. Microfinance began in the 18th century in England and Germany, and in the mid-1970s, it saw a boom in Bangladesh and Latin America as a means of providing financial services to low-income and underprivileged families who were unable to access formal financial institutions. Since microfinance organizations are now generally acknowledged as a part of the greater financial inclusion system, both globally and in Asia. In addition, microfinance banks provide assistance to developing nations by providing low-income individuals with modest loans and via the provision of technical assistance for the growth of businesses. Not only do they provide microfinance services for small loans, but they also provide a variety of other financial and non-financial services, such as advise on insurance, savings accounts, programs for skill development, capacity building, and encouragement to begin earning money, all with the goal of increasing credit productivity. As of 2018 (MEBA).

Microfinance is intended for underprivileged people with a verified credit history, intermittent employment, and no collateral (MMI, 2016). Moreover, it lessens the danger of illegal banking, including loan sharks and moneylenders that charge high interest rates. Microfinance institutions have been an increasingly essential component of local entrepreneurs' efforts for promoting micro and small business growth. Microfinance providers have played an important role in providing modest formal loans to small company owners who are unable to invest in their businesses owing to a lack of funds.

A kind of financial service known as microfinance may be beneficial to individuals and small businesses who do not have access to the services offered by regular banking institutions. Since the middle of the 1800s, several forms of microfinance have been in existence. Muhammad Yunus was the prominent figure who spearheaded the microcredit movement throughout the 1970s. Grameen Bank was established by Muhammad Yunus in 1983. It provides individuals with microcredit,

which consists of modest loans with flexible repayment periods. Grameen Bank and Muhammad Yunus were the two individuals who were awarded the Nobel Peace Prize in 2006. The informal sector is the primary aim of microfinance. There is proof from the past that microfinance has assisted those who are economically disadvantaged in creating successful enterprises, boosting their income, and being less susceptible to shocks from the outside world. It has also shown to be a useful tool for helping those who are economically disadvantaged women in particular achieve financial independence. The funds that businesses create are utilized to expand operations, increase family incomes, and fund initiatives like healthcare, education, and food security for children. Women have historically been marginalized in public places, so their encounters with official organizations like these might provide them a boost in confidence and a feeling of strength.

In 1997, the Human Development Initiative of the United Nations Development Programme provided assistance to Myanmar. In November 2011, the government enacted a new Microfinance Law, which made it possible for local and foreign investors to establish wholly private microfinance institutions (MFIs) in the country. This law also made it easier for microfinance services to expand. A little more than 180 microfinance institutions (MFIs) were operational in Myanmar as of February 2020. The third-largest microfinance organization in Myanmar is called Hana. Hana Financial Group, which is one of the largest bank holding firms in South Korea, includes a subsidiary that is known as Hana Microfinance inside its organization. In addition to the union territory of Nay Pyi Taw, Hana is distributed over 14 states and divisions in the country of Myanmar. It serves more than 200,000 clients, has over 1,400 employees overall, and has loans totaling more than $190 billion. Despite providing financial services to improve society, MFIs confront a lot of hazards (Chetty, 2017). These risks might include competition, interest rate rises, personnel turnover, fraud, financial difficulties, and repayment performance. Repayment performance is one of the primary barriers among them, since it allows the organization to continue on offering microcredit services. In order to ensure the long-term viability of these microfinance institutions (MFIs), it is vital to conduct an analysis of the primary elements that influence loan repayment. This is because, in the case that borrowers fail on their loans, there may not be sufficient funds to keep the MFI's liquidity position stable.

Most microfinance companies provide small, no-collateral loans to their low-income clients. According to Kono and Takahashi (2010), these loans are often used for

self-employment and other revenue-generating ventures. One key element of an effective plan to reduce poverty may be microfinance. Enhancing the availability and efficiency of savings, lending, and insurance options, in particular, may assist the impoverished in reducing their consumption, managing risks more effectively, accumulating assets gradually, expanding their microbusinesses, and increasing their capacity to generate revenue. Consequently, microfinance promotes economic development and progress (ADB, 2000).

Microfinance institutions have started to expand their services by offering micro-savings, flexible loan repayment, and insurance as they have grown more efficient and client-focused. The high payback rates may be adequately explained by the concepts of shared responsibility contracts, progressive lending, frequent repayments, and flexible collateral (Sengupta & Aubuchon, 2008).

Many academics emphasize the importance of loan repayment efficiency. Microfinance uses a variety of strategies to connect with the underprivileged and provide loan repayment incentives. There are two types of credit programs: group-based lending and individual lending, each with unique features. Even though loans are given to individuals, microfinance allows borrowers who are unable to provide security to form their own group, with members jointly responsible for each other's repayments. Hana Microfinance is one of Myanmar's leading microfinance organizations, providing inexpensive loans to entrepreneurs looking to establish or develop their businesses. Hana Microfinance makes microloans to small enterprises and individuals without access to standard banking institutions. Our clients may either start new businesses or expand the ones they currently have with the money we provide them.

Numerous microcredit options, such as those for commerce, services, agriculture, cattle, and livestock, are provided by Hana Microfinance. However, the number of defaulters has been impeding the institution's social and financial objectives by holding onto large amounts of loans, preventing it from combating strategies for reducing poverty, and realizing sustainability by lowering loan repayment rates. This is because the institution needs to reach a large number of impoverished people and help them escape poverty. Research on repaying debt is not a recent area of research. Despite the fact that several research on loan repayment performance have been conducted at different times, scholars continue to disagree with the findings of these studies. The data reveal that the determining factor variables provide inconsistent results. There are other factors with dubious results, such gender, education level, lending style, and loan

amount. The study's objective is to examine the Agriculture Loan Product's loan repayment performance. The study also looks at the characteristics that influence loan repayment success among Hana Microfinance's agricultural loan clients.

Focuses on four key areas are borrower characteristics, loan characteristics, business and farming factors, and external factors. Borrower characteristics include demographic information such as age, gender, education level, and income. Loan characteristics encompass the terms and conditions of the loans provided, including interest rates, repayment schedules, and loan amounts. Business and farming factors involve the nature and stability of the borrower's income-generating activities, while external factors consider broader economic and environmental influences. The dependent variable under investigation is the repayment performance, specifically focusing on the on-time collection rate of loans. By examining these variables, the study aims to identify critical factors that influence the likelihood of timely loan repayment and contribute to the sustainability of microfinance institutions like Hana Microfinance.

1.1 Rationale of the Study

The economy of the Ayeyarwady Division is heavily dependent on the agriculture industry, which significantly contributes to the local population's standard of living. In this setting, microfinance organization such as Hana Microfinance Limited play an important role by offering necessary financial services to agricultural customers who frequently do not have access to regular banking. However, the effectiveness of these financial interventions is dependent on the loan borrowers' capacity to repay their debts.

The long-term sustainability of microfinance operations and the financial stability of agriculture depend on research into the variables that affect loan repayment performance. The purpose of this study is to better understand and improve loan repayment performance among agricultural loan clients of Hana Microfinance Limited in Pathein Township, Ayeyarwady Division. Identifying the factors that influence loan repayment performance is critical to ensuring that the agricultural sector continues to receive financial resources, improving repayment rates, and lowering default risks.

Currently, Hana Microfinance's loan repayment performance shows a mixed pattern. While many borrowers manage to meet their repayment schedules, a significant

number face difficulties due to various challenges inherent in the agricultural sector. Seasonal variability, market fluctuations, and limited access to modern farming resources impact the repayment capacities of borrowers. Despite these hurdles, Hana Microfinance has implemented several initiatives, such as flexible repayment schedules aligned with the agricultural cycle, technical assistance for improved farming practices, and enhanced market access for agricultural products. These efforts are aimed at improving repayment performance, yet there remains a need for a thorough evaluation of their effectiveness.

This study seeks to give significant insights that can be used to influence Hana Microfinance Limited's operational strategies and policy decisions by examining loan repayment performance and the factors that affect it. The findings may be used to modify financial products and services to better match the needs of agricultural clients, therefore increasing financial inclusion and contributing to the overall growth of the region's agricultural business.

Pathein Township, in the Ayeyarwady Division, is a major agricultural region in Myanmar. A sizable proportion of the local population is involved in farming and associated activities. However, the region has various distinct problems that affect the efficacy of agricultural loans. Seasonal variability is a big problem since agriculture in Pathein is highly impacted by changing weather conditions. Variations in rainfall and other climatic conditions can have a substantial impact on agricultural production and farmers' capacity to repay debts. Market fluctuations are also a significant risk; prices for agricultural products can fluctuate dramatically owing to supply-demand mismatches and other market phenomena, affecting farmers' earnings and repayment capacities. Furthermore, resource availability is an important consideration. Many Pathein farmers lack access to modern farming practices, high-quality seeds, fertilizers, and suitable irrigation infrastructure, reducing agricultural production and limiting their capacity to repay debts. Infrastructure limitations, such as inadequate transportation networks, compound these issues by raising operational costs and lowering profitability in farming activities.

In response to these difficulties, Hana Microfinance offers personalized financial solutions to help farmers in Pathein Township. This includes providing flexible repayment schedules that coincide with the agricultural cycle, technical help to

enhance farming techniques, and improved market access for agricultural goods. Despite these efforts, a thorough review is required to determine the efficiency of these procedures and their impact on loan repayment performance. Additionally, Hana Microfinance is working on upgrading its digital services, such as the Hana client app and expanding digital payment options, to streamline financial transactions and improve loan repayment performance. These initiatives aim to build client trust and encourage better financial planning and savings habits among borrowers. This study will analyze these measures' effectiveness and provide recommendations for enhancing Hana Microfinance's loan repayment performance.

1.2 Objectives of the Study

The objectives of the study are as follows:

(1) To identify the factors influencing of loan repayment performance Hana Microfinance and

(2) To examine the factors influencing loan repayment performance of agriculture loan clients of Hana Microfinance.

1.3 Scope and Method of the Study

The purpose of this study is to investigate the factors that influence the repayment performance of agricultural loan products provided by Hana Microfinance in the Pathein township of the Ayeyarwady division. A variety of elements may be viewed as independent variables, with loan repayment performance being the dependent variable, and borrower characteristics, loan characteristics, business and agricultural factors, and external factors being the list of determinants.

The study uses quantitative research as a research strategy to analyze the stated goals. Using an explanatory methodology, the research aims to clarify the relationship between two or more factors that affect repayment performance. Multiple regression, correlation, reliability, and descriptive analysis techniques are used to analyze the data in this research. There is usage of both primary and secondary data. Using a straightforward random sample technique, 120 respondents who were recipients of Agriculture Loans from Hana Microfinance Limited in Pathein Township were selected as the target population. A simple random selection technique was used to determine the sample size of 120 Agriculture Loan customers from the Hana Pathein branch office, ensuring that different kinds of people are

represented. Questionnaires and in-person interviews are used to gather primary data. Hana branch offices, publications, papers, earlier research, and an online page are the sources of secondary data. June 2024, a single month, sees the collection of pertinent data. The program SPSS is used to do the statistical analysis. The link between two variables is evaluated using the Pearson correlation coefficient. There are 38 questions in the survey that look at independent and dependent traits. On a Likert scale ranging from 1 to 5, each item is evaluated, with the choices being strongly disagree, agree, disagree, neutral, or agree.

1.4 Organization of the Study

There are five chapters in this work. The purpose, goals, methodology, structure, and scope of the research are all introduced in Chapter 1. The principles and services of microfinance are presented in Chapter Two, which also reviews prior research studies and looks at variables that influence loan repayment performance. The chapter concludes with the conceptual framework of the study. The microfinance services offered by Hana Financial Group and its regional office in Pathein Township, Ayeyarwady Division are described in depth in Chapter Three. The elements influencing the agricultural loan customers of Hana Microfinance in Pathein Township's loan repayment performance are examined in Chapter Four. Ultimately, Chapter Five provides a summary of the study's results and comments, makes recommendations and suggestions, and identifies areas that need further investigation.

CHAPTER II
THEORETICAL BACKGROUND

The theoretical underpinnings of microfinance and its services are highlighted in this chapter. This chapter includes a discussion of the history of microfinance, concepts related to repayment performance, and variables that influence loan payback performance. It also includes an expression of prior research. This chapter ultimately presents the conceptual foundation.

2.1 Concept of Microfinance

The term "microfinance" first appeared and became well-known in the 1970s when Bangladeshi professor Muhammad Yunus launched the ground-breaking Grameen Bank. In 1974, the father of microfinance, Prof. Muhammad Yunus, observed that rural women who made bamboo baskets borrowed their little capital from a local moneylender; however, in return, the moneylender kept most of the basket's selling price while the women only got a meager wage. He thus reasoned that the women' quality of life would increase if they were able to get a little loan in a methodical way and receive the whole selling price of the basket.

Otero (1999) defined microfinance as the provision of financial services to independent contractors who have severe poverty and poor salaries. Schreiner and Colombet (2001) define microfinance as an effort to provide low-income families—who banks have traditionally ignored—access to modest deposits and loans. Microfinance, according to Koveos and Randhawa (2004), is the provision of financial services to customers with modest incomes, especially independent contractors. A vast array of financial services, such as credit, insurance, payments, savings, and social intermediation, may also be advantageous to the impoverished. Mokhtar and Gilbert (2007) define microfinance as financial instruments that are largely targeted at the poor, including savings accounts, insurance, and loans. To help the underprivileged and reduce poverty, microfinance was included into the economy. Low-income families and communities may get financial services from microfinance organizations.

Microfinance institutions (MIFs) include both domestic and international institutions, as well as partnership enterprises. Turnell (2009) said that in order to improve socioeconomic status and lessen rural poverty, licenses to undertake

microfinance operations should be issued to enterprises, co-ops, banks, and nonbanking financial organizations that were created and registered under relevant legislation. According to the 2011 Myanmar Microfinance Law, microfinance includes lending money both domestically and abroad, taking deposits from low-income people, handling remittances, insurance, and other financial activities.

Low-income families may now get responsible non-financial and financial services from microfinance, helping them to create better futures for themselves. According to Olagunju (2007) and Berhanu (2008), microfinance services include savings, credit, insurance, credit cards, and payment methods for its consumers. This efficiently addresses the client need for liquidity by designing a product that is easy to comprehend for the client and administer for the institution. According to Fao (2014), business development services, which are nonfinancial services, can help with the supply of microfinance. These services may help rural households improve their financial and business management abilities, as well as provide local assistance for enterprises.

Non-financial services known as enterprise development services help micro-entrepreneurs. These consist of talent, technology, marketing, and business growth. These services have the potential to directly or indirectly assist low-income individuals in launching microbusinesses. Social services are non-financial offerings aimed at enhancing microentrepreneurs' quality of life. These consist of instruction in literacy, education, nutrition, and health.

Lenders must ensure that their customers have the finances to repay loan payments on time, based on their financial history. Ledgerwood (1998) states that four different loan kinds are provided by microfinance companies as financial services. They are divided into four categories: personal, emergency, mid-term, and income-generating loans. Their family's needs are met by the loan profits. After 25 weeks of repaying their income-generating loan, clients are eligible to apply for a mid-term loan. All consumers may apply for the emergency loan at any time throughout the fiscal year. The MFI and the borrower will individually choose the loan's size and terms, which are interest-free. Individual loans are intended for clients and non-clients with particular requirements that fall beyond the purview of group loans. Individuals are given loans outside of the group lending process.

2.2 Methods for Loan Delivery

People who are in need of money gain from the credit systems operated by microfinance organizations. Individual-based lending and group-based lending are the two categories into which these credit distribution methods are often separated.

A thorough initial assessment of customers and their cash flows is necessary for individual-based lending, as is continuing frequent and close communication with them during the loan period. The borrower's qualifications and debt capacity, which are impacted by a number of factors such as personal and business traits (e.g., age, gender, reputation), income sources and amounts, company size, cash flow, and available collateral, determine loan approvals and amounts. The best candidates for this kind of financing are larger, production-focused, urban-based businesses, as well as those that have ready cosigners or some sort of collateral. Customers falling into this group are required to provide the MFI with collateral or a cosigner someone who has never taken out a loan from the MFI but is willing to be held legally responsible for it or both. Since staff members develop personal relationships with customers, each client requires a significant time and energy investment, the institution may modify the loan size and duration to meet the needs of the business. We evaluate each prospective customer's ability and desire to repay the loan individually while screening them.

In the first scenario, clients are required to be able to furnish the microfinance institution (MFI) with collateral in the form of a consigner. A consigner is an individual who has not previously obtained a loan from the MFI but is willing to be legally accountable for the loan. It is possible for the financial institution to modify the loan amount and duration in order to meet the objectives of the company as the employees get to know their clients on a personal level (Ledgerwood, 1998). Group-based lending is a modification of the notion of rotating savings and credit associations that allows for more flexibility in terms of loan amount and length. This gives borrowers the ability to access money whenever they need it, rather than having to wait for their turn. Potential customers are screened based on their individual loan repayment capabilities and desire to repay. Notable group-lending initiatives include the solidarity group lending program of ACCION International and the Grameen Bank of Bangladesh, which both encourage the formation of small groups with five to ten members and provide individual loans to its members. Some options, like the FINCA village banking model, lend money to groups of 30 to 100 persons as opposed

to private individuals (Ledgerwood, 1998).

Group-based financing offers various advantages that are commonly mentioned in microfinance literature. One key component of this strategy is the use of peer pressure in place of collateral. The severely poor are the focus of many group-based lending programs since they are unable to meet the standard collateral requirements of most financial institutions. Instead, group guarantees serve as collateral alternatives. While group guarantees are sometimes assumed to imply strict shared obligation among group members, in fact, members are rarely held accountable for each other's defaults. Instead, a default by one member often prevents additional lending to the whole group until the debt is repaid. Different group dynamics are produced by this financial and social grouping, which might increase payback rates. The focus on financial, social, business, and agricultural loan products significantly impacts the repayment performance of Hana Microfinance Institution (MFI) in Pathein Township, Ayeyarwady Division.

2.3 Loan Performance in Microfinance

Loan performance is a critical measure of a financial institution's stability, reflecting how well its issued loans have fared across various sectors. It encompasses both the expected behavior of loans and their actual payment performance, specifically in terms of adhering to payment schedules for both principal and interest. Loan performance is significantly tied to the timely and consistent repayment of loans. A loan default occurs when the borrower encounters circumstances that render repayment impossible (Hull, 2007).

The failure of a loan to be repaid may be attributed to a variety of factors, including the borrower's reluctance to return the loan, the financial institution's lack of commitment to assuring payback, and the staff's lack of shareholder responsibility. Furthermore, customers often experience unanticipated events like sickness or a loss in the family, which may make it difficult for them to repay. Misuse of excess money and loans that are too big for the company's cash requirements are two further reasons.

Wakuloba (2005) asserts that inadequate company performance, incompetent financial management, and personal problems are the main contributors to loan default. Breth (1999) posits that a range of institutional and socioeconomic variables might impact loan payback rates. Important elements from the lender's perspective include

frequent high collections, stringent controls, efficient information system administration, incentives for loan officers, and appropriate follow-ups. Additionally, factors such as the loan amount, loan term, interest rate, and timing of loan distribution significantly impact the speed of loan repayment (Okorie & Andrew, 2007).

Borrower behavior is primarily influenced by their socioeconomic characteristics, including gender, education level, marital status, and household income. In group-based lending arrangements, the influence of peers also plays a significant role in determining borrowing behavior.

2.4 Loan Repayment performance of microcredit programs

The success, viability, and reach of microcredit initiatives are evaluated by funders, practitioners, and consultants via the use of performance indicators. The purpose of performance indicators is to collect and reinterpret financial data in order to offer relevant information on the financial performance of microcredit firms. Maintaining MFIs' viability and profitability is essential to their capacity to finance MEs going forward, independent of government or donor support. Therefore, in order to make microfinance services both long-term and widely accessible, they must be financially sustainable (ICC, 2001). According to Llanto et al. (1996), MFIs themselves must be successful and sustainable in order to continue providing financial services to the disadvantaged on a consistent basis. The research shows that many MFIs are far from these goals.

2.4.1 Definition of Loan Repayment

A "loan" is anything that is loaned, especially money. According to Ledger Wood (1999), a loan is an investment for lenders, much like bonds, stocks, or other assets; but, for borrowers, a loan is a liability that requires repayment of the borrowed funds plus interest.

Loans are met as a technique of saving money for loans. Loans are determined by a member's share and savings ratio. those who have shown their creditworthiness by consistently saving money for loans (Pindyack, 1981).

A loan repayment arrangement (LP) is one in which a lender extends credit or other assets to a borrower, who then promises to return the assets and repay the loan typically with interest at a later time. The total amount of loans that have been paid back on schedule, as stated in the loan agreement contract, is referred to as loan

repayment performance. In general, a borrower or debtor has a time limit for repaying his debt or loan on time. However, there is a specified timeframe for loan returns, and the lender must assume the risk that the borrower will not refund the loan. borrowers who easily repay their loans and fulfill all loan contact conditions (Pindyack, 1981).

Failure to repay a debt loan by the due date or not making timely payments are referred to as defaults (Ledgrewood, 1999). According to Ledgrewood (1999), borrowers who have repaid their debts on schedule or without any problems are considered non-defaulters.

2.5 Previous Study

Various researchers have explored factors influencing repayment performance in microfinance institutions (MFIs) using diverse methodologies and sectors to ensure MFI sustainability. The effect of interest rates and loan size on repayment levels was examined by Abafita (2003). Godquin (2004) highlighted the length of loans, age of the borrower, loan amount, social networks, and education. Lilay (2015) emphasized the significance of supervision, loan conditions, peer monitoring, and group development. A number of factors have been the subject of prior research by Bumbie (2013), Bananuka, Nkote & Tumwebaze (2017), Ndege (2017), and Jote (2018).

Bumbie (2013) investigated both individual and group customers of WACCU and SRB, two financial institutions, to highlight the variables that affect repayment success. He emphasized repayment performance as the dependent variable and saving, dynamical incentives, monitoring, peer pressure, screening, and social links as the independent factors. The factors influencing repayment performance in both group and individual loans were shown using multiple regressions. The strength of the association between the individual and group lending strategies was assessed using the Chi-square test. According to his research, payback performance has a negative correlation with monitoring but a favorable correlation with screening and saving.

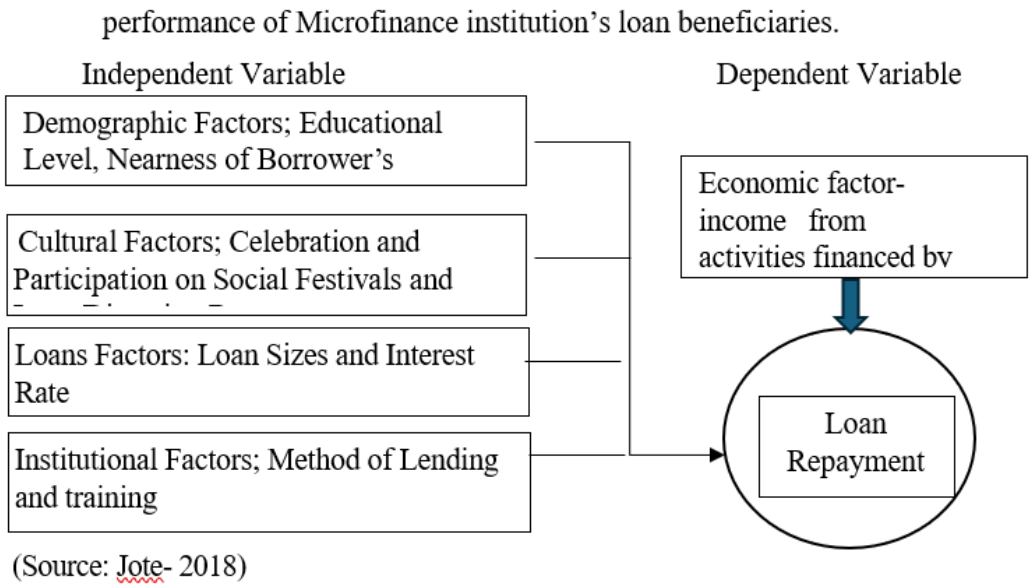
The effects of borrower characteristics and lending conditions on repayment performance were examined by Bananuka, Nkote, and Tumwebaze (2017) in rural Uganda.51 MFIs in Uganda were surveyed to gather data. In their investigation, regression analysis was mostly used. It was discovered, however, that loan repayment

performance is positively correlated with credit parameters (interest rate, loan length, and collateral) rather than borrower attributes. Age, marital status, income level, and client savings are used to analyze borrower characteristics, while interest rates, loan conditions, and collateral are examined.

Furthermore, Ndege (2017) studies the characteristics that impact group loan repayment in microfinance institutions situated in Nakuru County, Nakuru Town, Kenya. These institutions are among the most prominent. An examination of the data is the purpose of inferential statistics such as regression, correlation, and one-way analysis of variance (ANOVA). According to his findings, the elements of shared responsibility and demographics were found to be significantly positive, whilst the factors of business competency and loan repayment duration were found to be significantly negative. He measured business skills by utilizing cash flow management, monitoring, and evaluation, as well as customer service. He measured joint liability by utilizing interest rate, frequency of payment, fines and penalties, loan repayment period, and loan amount; and he measured demographic factors by utilizing gender, age, marital status, education level, and employment status. He measured financial responsibility by utilizing pressure to pay, credit rating, monitoring, social ties, and group members working together.

The characteristics that influence loan repayment in microfinance institutions (MFIs) in Ethiopia's SNNPRS Gedeo zone were researched by Jote in 2018. Using a binary logistic model and stratified random sampling among borrowers, Jote analyzed the information that she received from primary and secondary sources. She then used the results of her analysis to make choices. A distinction was made between the borrowers into two distinct groups according to whether or not they were in default on their loan payments. Both the linear probability model and the linear regression analysis were used extensively throughout his body of work. According to Jote, the probability of loan payback is statistically substantially influenced by the following factors: the size of the borrower's family, the borrower's educational attainment, the manner of loan use, the proximity of the borrower's residence to the institutions, and the borrower's income from training and activities that are sponsored by loans.

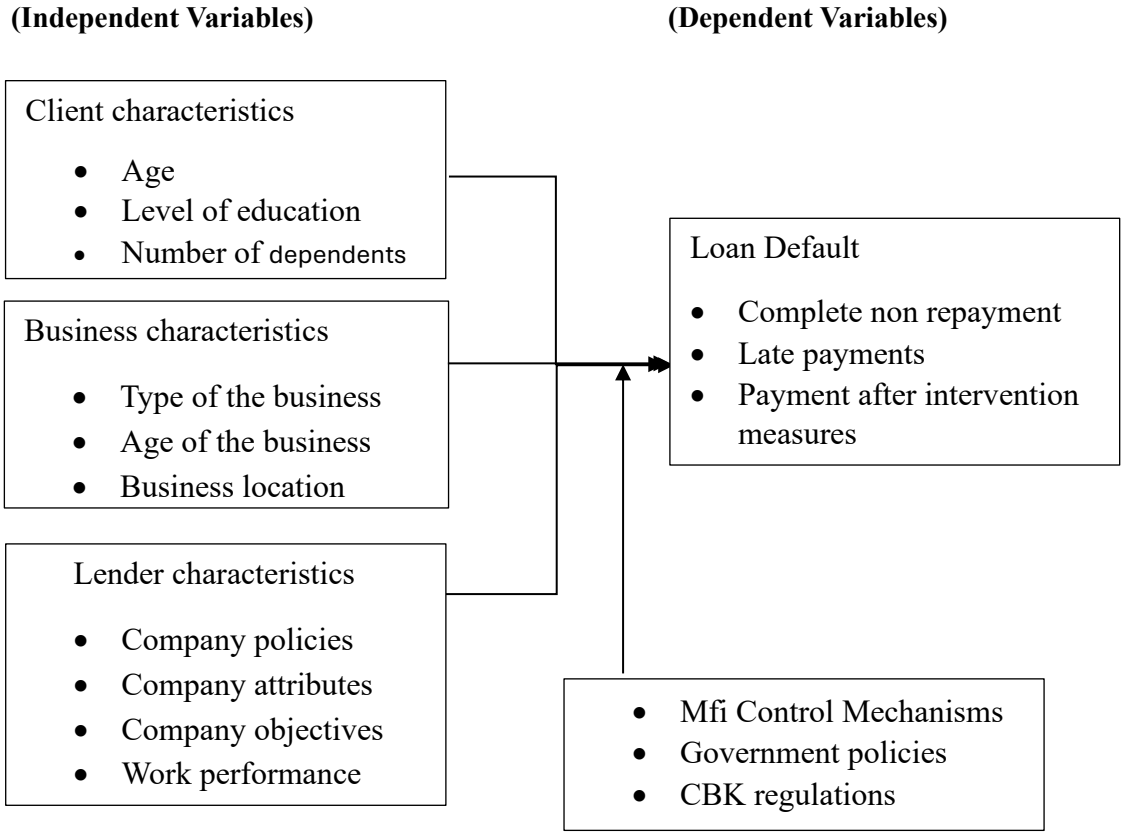
Figure (2.1) Determinant factors affecting loan repayment



(Source: Jote- 2018)

An analysis of the characteristics that influence loan repayment in Kenyan microfinance organizations was carried out in 2014 by Florence Angaine and Daniel Nderi Waari. When doing the analysis of the data, which was acquired via the use of questionnaires and interviews, both descriptive and inferential statistics were used. The research found that individual factors impacting loan repayment included hobbies, number of dependents, and education level. The kind of firm, management style, and duration of operation were the business variables that affected loan payback. The groups that the lender handled, the time it took to qualify new members, and the standards by which creditworthiness was assessed were the features of the lender. According to the report, formal education and training in company management and finance should be made available to potential borrowers by the government and other industry partners. Systematic risk is characterized by external factors such as the economic, political, and business environment in which the borrower operates. These factors, in conjunction with the characteristics of the lending institution and the appropriateness of the loan product for the borrower, make it highly unlikely that the borrower will repay the loan.

Figure (2.2) Factors Influencing Loan Repayment in Micro-Finance Institutions in Kenya.



(Source: Florence Angaine & Daniel Nderi Waari -2014)

The research focuses on four variables that determine loan repayment performance: borrower characteristics, loan characteristics, business and agricultural conditions, and external factors. It is based on these four earlier studies.

Given that the majority of group loans are intended for commercial purposes, the first variable business skills has a significant impact on how well borrowers repay their debts (Angaine & ari, 2014; Muli, 2016). Respondents to the survey include managers, staff members, and grocery store owners. The majority of farmers are included in the research, just like them. In order to maximize their return on investment, farmers manage their farms by allocating resources, developing the best aspects of their operations, and using their management expertise. If the farmers and company owners were unable to sensibly use the monies that were allocated to them due to a lack of knowledge and skills, this would have a tremendous effect. This results in poor company performance, which lowers the ability to pay back the debts.

In 2013 research on the factors influencing loan repayment performance in Ethiopia, Gebeyehu, Beshire, and Haji found that peer pressure to make loan repayments

on time would boost loan payback rates. However, Nawai & Shariff (2012) highlighted the significance of pressure in loan payback in their analysis of the variables influencing repayment success in Malaysian microfinance institutions. Peer pressure on members who fail significantly lessens the moral risks associated with group lending, according to their research.

The organization's readiness to put pressure on members to repay the debts they took out and the existence of an internal code of conduct that penalizes members who fall behind were the two main ways in which their research assessed group pressure. The research highlights group responsibility as a factor that influences loan performance, whether or not it does so by using the group members' capacity to put pressure on one another to make payments.

A loan phrase may have several meanings. Most of the time, the phrase refers to either the length of the loan assuming the borrower makes the necessary minimum payments each month or the terms that the borrower accepts. Loan conditions are classified into six categories based on the research of Ndege (2017) and Ssekiziyivu (2017): loan amount, interest rate, payment duration, frequency of payments, fines, and penalties. A research on the factors influencing loan repayment performance in the Southeast State of Nigeria was conducted by Onyeagocha & Chidebelu (2012). Mohamed (2003) contended that delayed credit repayment was a result of high interest rates. According to Bumbie (2013), those who used a weekly loan payback system outperformed those that used a monthly repayment plan in terms of loan repayment performance. Furthermore, the performance of loan repayment is impacted by the fines and penalties associated with defaulting. Based on these results, the research examines how loan conditions impact group-based customers' repayment performance.

These criteria are used to characterize the characteristics of an individual, a group, or borrowers and are referred to as demographic factors. Variables like gender, race, age, income, marital status, level of education attained, employment, number of children, and the like are some examples of frequently utilized demographic characteristics. The majority of studies looked at how borrower demographics affected the success of group loan repayment across a range of sectors and businesses. In a research on the issues with microfinance in Addis Ababa's informal sector, Addisu (2006) found that, in the setting of a group, women were better loan payers than male members. Weber and Musshoff (2012) claim that because of an increase in payment capability, age has a positive correlation with

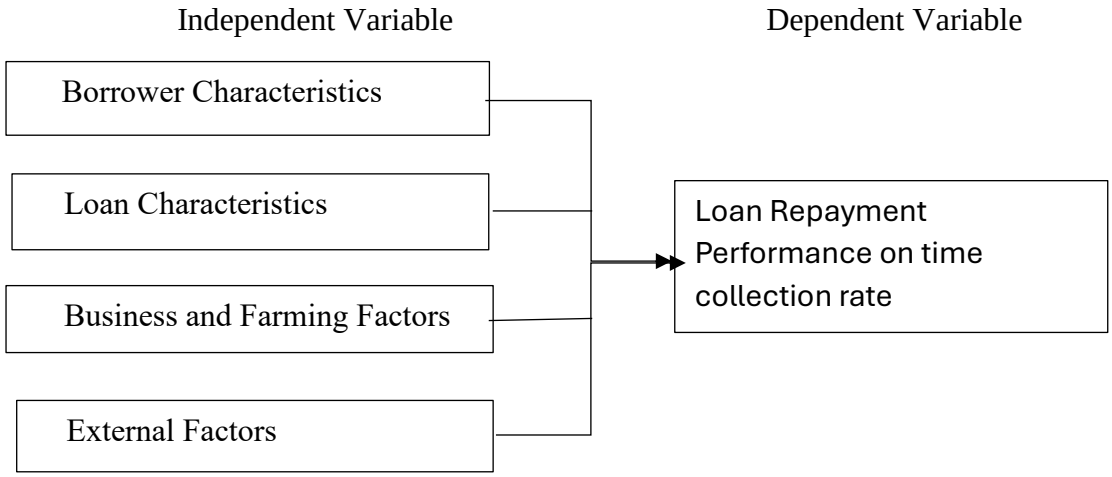
loan payback success. Married borrowers were seen as more responsible when it came to loan repayment than their single counterparts, according to Mokhtar (2011).In addition, studies by Abreham (2002), Abafita (2003), and Million (2012) demonstrated that education was a key component that improved loan repayment performance.

They made the discovery that an educated consumer is capable of successfully managing resources, using modern technologies, and carrying out agricultural activities in accordance with a cropping cycle. The findings of a study that was conducted in 2007 by Olagunju and Adeyemo indicate that borrowers who have a smaller number of individuals in their home are more likely to complete their repayment obligation than borrowers who have a bigger family size. According to Samuel (2011), one of the most important and significant factors that contributes to an improvement in the performance of credit repayment is the money generated from activities that are funded by the loan.

2.6 Conceptual Framework of the Study

These results indicate that a variety of variables, even if their research fields differ from the study's, have an influence on repayment success. Their results indicate that repayment performance is critical to ensuring that microfinance organizations are run sustainably so that lower-class individuals may continue to get microcredit. Based on earlier research, the study may thus anticipate that borrower characteristics, loan features, business and agricultural variables, and external factors would all be regarded as significant determinants of borrowers' loan repayment performance. The conceptual framework and repayment performance on time collection are shown in Figure 2.1, where the study's hypotheses are presented.

Figure (2.1): Conceptual Framework of the Study



Sources – Own Compilation (2024)

The borrower characteristics, loan characteristics, business and Farming factors, and external factors are the independent variables in Figure (2.1). Additionally, organized questionnaires are used to assess these independent factors using a five-point Likert scale. The repayment performance more especially, the loan payback rate that is collected on time is the dependent variable that is the subject of the study. The associations between these independent factors and the loan repayment performance on-time collection rate are shown by the arrows in Figure (2.1). Below 2.6.1 Working definitions of key item of important terminology utilized in this investigation.

2.6.1 Working Definition of Key Item

Key terminology utilized in this investigation includes:

Borrower characteristics

Borrower characteristics play a crucial role in determining loan repayment outcomes. These factors encompass various dimensions, including gender, marital status, age, educational level, monthly income, and family size. Additionally, financial literacy comprising knowledge about budgeting, interest rates, and loan management significantly influences borrowers' ability to navigate loan terms effectively.

Loan Characteristics

loan characteristics, the key items include the sufficiency and satisfaction of the loan amount, the adequacy of the repayment period, and the reasonableness of the interest rate. A sufficient loan amount ensures that borrowers can operate their businesses effectively without the need for additional funds, thereby meeting all their business needs. Borrowers express satisfaction with the loan amount provided by Hana Microfinance when it aligns with their operational requirements. The loan repayment period is considered adequate when it allows enough time for borrowers to utilize the loan effectively and generate sufficient income to meet repayment obligations confidently within the given term. A reasonable and manageable interest rate is crucial for borrowers, as it ensures that the cost of borrowing is sustainable given their business income.

Business and Farming Factors

Key items of business and farming factors include maintaining detailed records of all business transactions, preparing and following a cash flow statement, and regularly monitoring business performance. Effective pest and disease management methods are employed to ensure the health and well-being of crops and animals. Farmers engage in both farming and non-farming activities to diversify their income sources. Participation in community programs aimed at enhancing income generation is also considered a vital factor. Access to microfinance plays a significant role in improving overall business performance, providing the necessary capital and resources to support and expand farming activities.

External Factors

External factors refer to the various conditions and influences outside a business that can impact its operations and performance. These include the current economic conditions in the region, which, when favorable, can positively affect business growth and profitability. Inflation rates play a significant role as well, often increasing business costs and affecting overall financial stability. Economic conditions also directly impact the ability of businesses to repay loans on time, influencing their creditworthiness and financial planning. Government agricultural policies can have a beneficial effect on businesses, especially those in the agricultural sector, by providing support and incentives. Regulatory requirements, which are critical for compliance, must be well understood to avoid legal issues and operational disruptions. Market price volatility can lead to fluctuations in business revenue, making it crucial for businesses to adapt to changing prices. Changes in supply and demand dynamics also have a profound effect, as they dictate market opportunities and challenges. Finally, the ability to effectively adapt to these market changes is essential for business sustainability and growth, ensuring that businesses can respond to external pressures and remain competitive.

Repayment Performance:

This is the measure of how effectively the borrower meets their loan repayment obligations. It is assessed based on timely payments, adherence to the repayment schedule, and the overall ability to pay back the borrowed amount without defaults. Repayment performance refers to the borrower's ability to consistently meet their loan repayment obligations on time. It is a key indicator of financial responsibility and creditworthiness, reflecting how manageable the loan terms are for the borrower. Effective repayment performance occurs when business income sufficiently covers the loan repayments, ensuring that borrowers can meet their obligations without undue financial strain. Awareness of specific due dates for loan repayments is crucial, as it allows borrowers to plan their finances accordingly to ensure timely availability of funds. Additionally, clear reminders from Hana Microfinance about upcoming payments play a vital role in maintaining good repayment performance, helping borrowers stay on track with their repayment schedules.

CHAPTER III

BACKGROUND STUDY ON HANA MICROFINANCE LIMITED

The function and overview of Myanmar's microfinance sector are presented in this chapter. Additionally, it presents the profile of Hana financial Group and organizational structure of Hana Microfinance at Pathein Township under the Ayeyarwady Division.

3.1 History of Microfinance

A long-standing idea, microfinance has its origins in traditional communities where unofficial loan and savings clubs have existed for millennia in underdeveloped nations. An Italian monk established the first known pawn store in 1462 to combat usurious activities. Pope Leon X allowed pawn businesses to tack on interest to help pay operational expenses in 1515. One of the first and longest-running microcredit schemes, the Irish Loan Fund system began operating in the eighteenth century, lending tiny amounts to rural impoverished people without any collateral, and at its height, it was servicing twenty percent of Irish homes.

Larger, more formal savings and credit organizations started to emerge in Europe throughout the 1800s, mostly catering to the impoverished in both rural and urban areas. These organizations—also referred to as Credit Unions, People's Banks, and Savings and Credit Cooperatives—were a component of the cooperative movement, which began in 1865 and quickly spread across Germany and other European, North American, and finally emerging nations nations. With about 9,000 branches, the Indonesian People's Credit Banks (BPRs) had grown to become the country's biggest microfinance system by 1895 (CGAP, 2006).

Early in the 20th century, Latin American rural finance reforms sought to modernize the agriculture industry, encourage savings, boost credit-based investment, and lessen the feudal relationships that were exacerbated by debt. But with time, these organizations often developed corruption and inefficiencies. Subsidized agricultural credit was the focus of government and donor efforts during the 1950s and 1970s, but these programs were seldom successful because of poor repayment discipline and the misallocation of funding to richer farmers.

Experimental initiatives that started in the 1970s gave modest loans to groups of low-income women so they may invest in microbusinesses. During this time, Grameen Bank, ACCION International, and SEWA Bank were among the pioneering microfinance institutions. In 1972, a group of independent women founded SEWA Bank. Beginning with minor loans in Recife, Brazil, in 1973, ACCION International ultimately grew into a network of financial institutions with branches across 22 nations. Muhammad Yunus, an economist from Bangladesh, created the Grameen Bank, which has grown to become one of the most well-known and prosperous microfinance organizations in the world. In 1976, Yunus started a financial initiative for the underprivileged, which in 1983 became the Bangladeshi Grameen Bank (R.M, 2014).

Microcredit programs moved from providing subsidized credit to offering commercial financial services in the 1980s. In order to maintain long-term viability, microfinance institutions started acting more like businesses—charging fees to cover expenses and requiring payback from borrowers. By the 1990s, microfinance had mostly supplanted microcredit as it became apparent that the impoverished need more than simply loans. During this time, the microfinance sector emerged as a separate business with proper oversight and regulation for institutions that had licenses. The 2000s saw a rise in the commercialization of microfinance, a stronger focus on for-profit businesses, and the creation of more cutting-edge goods and services. The UN declared 2005 to be the Year of Microcredit, and Professor Muhammad Yunus received the Nobel Prize in 2006 (R.M., 2014).

3.2 Overview of Microfinance in Myanmar.

It is crucial to examine the lengthy history of the microfinance industry in Myanmar as well as the formalization process that resulted in the Myanmar Microfinance Business Law (MFL) in November 2011 in order to comprehend the sector. Although microfinance in Myanmar traces back to 1997, the sector has significantly evolved and expanded its reach due to new legal foundations. The MFL permits microfinance institutions to engage in various activities, including extending microcredit, accepting deposits, and performing other financial services, though some limitations remain.

Following the 2015 election, approximately 250 microfinance institutions (MFIs) were established, including global charities, development agencies from various governments, and foreign microfinance companies. These institutions serve both urban

and rural populations. The Myanmar Microfinance Association estimates that there are now 170 MFIs operating in Myanmar, providing loans totaling over $350 million to over 2 million customers. The sector includes local NGOs that provide microfinance, local commercial MFIs, financial cooperatives that have obtained a new license as MFIs, and foreign non-governmental organizations (NGOs).

Turnell (2017) highlights the donor-driven nature of these institutions and the lack of good practice. Understanding the microfinance sector in Myanmar involves recognizing the influence of foreign NGOs and regulatory oversight. Policies and practices within the country are often shaped by developmental agencies and INGOs, and regulatory authorities sometimes overlook unqualified practices, leading to a complex landscape. The dynamic relationship between NGOs, development agencies, foreign microfinance companies, and regulatory authorities poses challenges, potentially distorting the original goals of poverty alleviation and empowerment.

Myanmar's regulatory authorities must balance the benefits of international support while safeguarding local objectives of poverty alleviation. Microfinance in Myanmar has grown phenomenally since the 2011 law regulating the industry. In Myanmar, 33 million people do not have bank accounts, thus MFIs are fighting for their business more and more. Nowadays, most people agree that microfinance is an essential instrument for ending poverty. If given the chance, low-income people—who often pay unregulated money lenders exorbitant interest rates—would probably choose microfinance.

In Myanmar, microbusinesses make up the bulk of small and medium-sized companies (SMEs), which account for over 99 percent of all businesses. Microfinance programs often target women with the goals of assisting them in escaping poverty, enhancing the standard of living for their families, and expanding their children's educational chances. Currently, over 200 authorized MFIs, both domestic and international, provide microfinance for various purposes. The commercialization of the microfinance sector in Myanmar attracts investors, supplying MFIs with diverse funding sources for tailored loans catering to different needs.

Substantial growth in Myanmar's microfinance sector over recent years has made it a significant provider of financial services to low-income populations excluded from regular banking. Recognizing the importance of inclusive finance in fighting poverty, the government gives it a substantial role. The legislation regulating microfinance was passed in November 2011 by the Microfinance Supervisory

Enterprise (MMSE), which is now the Financial Regulatory Department (FRD) under the Ministry of Finance. These days, well-established international MFIs run by INGOs compete with local MFIs.

In 2023, there will be over 170 microfinance institutions (MFIs) in Myanmar, providing loans totaling about $350 million to over 2 million customers. The industry is made up of local commercial MFIs, re-licensed financial cooperatives, foreign NGOs, and local NGOs. Prominent entities in the industry with respect to portfolio and clientele include PGMF, Hana, Vision Fund, Sathapana, and Dawn Microfinance (Myanmar Microfinance Association).

The regulatory environment remains challenging, with limited capacity and constraints on capital, products, and services. Despite these challenges, efforts are ongoing to improve the sector's infrastructure, such as introducing a credit bureau and enhancing market data availability (Myanmar Microfinance Association)

1. Loan

In Myanmar, microfinance institutions (MFIs) provide a range of loan products designed to satisfy the various requirements of small enterprises and low-income people. These loan products are intended to help people who don't have access to traditional banking services financially so they may establish or grow their enterprises, enhance their quality of life, and support economic growth. Some of the most important loan options in Myanmar are listed below:

Individuals or organizations experiencing unemployment or low income may now access financial services that they would not have otherwise thanks to microfinance services. People may receive small business loans via microfinance in a way that upholds moral lending standards. Through MFIs, a number of loans have been made accessible in Myanmar, with notable loan repayments documented. According to Table (3.1), the total amount of loans repaid countrywide as of 2023 is 1,795,507 million MMK.

Table (3.1) Loan Amount of Microfinance in 2023

Year	Quarter	No. of MFI	Credit	
			Active Borrower	Loan Outstanding
2023	1st	86	4,336,374	2,115,075
	2nd	84	3,405,483	1,706,283
	3rd	96	3,465,372	1,788,067
	4th	97	3,376,033	1,795,507

Source: Myanmar microfinance association, 2023.

2. Saving

As a kind of microfinance, organizations and financial institutions assist individuals to save money. Savings accounts are designed to hold modest contributions, much like regular savings accounts. Client savings have been gathered from all around Myanmar. As of 2023, the total amount of outstanding savings countrywide is 252,127 million, which is shown in table 3.2.

Table (3.2) Saving Balance Amount of Microfinance in 2023

Year	Quarter	No. of MFI	Saving	
			Active Clients	Saving Balance
2023	1st	86	5,082,412	293,035
	2nd	84	3,975,937	215,925
	3rd	96	4,122,222	227,968
	4th	97	4,025,587	252,127

Source: Myanmar microfinance association, 2023

3. No. of Employee at Microfinance Industry

The number of workers in the microfinance sector is shown in Table 3.3 below. Field officers make up the largest workforce group in the microfinance industry. They serve the primary function and are in the front line of company operations; the other individuals may be involved in the industry's supporting roles.

Table (3.3) Number of Employee in Microfinance Industry in 2023.

Year	Quarter	No. of MFI	No.of Employee	
			No. of Loan Officer	No. of total staff
2023	1st	86	11,417	21,635
	2nd	84	9,076	16,773
	3rd	96	8,734	16,927
	4th	97	8,759	16,744

Source: Myanmar microfinance association, 2023

3.3 Profile of Hana Microfinance

The Hana Financial Group, which is one of the most prominent bank holding firms in South Korea, has a subsidiary that is known as Hana Microfinance Limited. This business was established in August of 2013. The overarching goal of Hana Financial Group is to establish itself as a financial institution dedicated to societal prosperity and enhancing shareholder value. The company provides a wealth of chances for staff members to achieve their career goals while helping clients expand their companies and assets. Hana Financial Group is well-positioned to become one of the most prosperous financial institutions globally by using its vast global network.

One of the biggest microfinance companies in Myanmar, Hana Microfinance provides the capital that entrepreneurs looking to start or grow their businesses require. With branches spread throughout fourteen states and divisions, including the Nay Pyi Taw Union Territory, the enterprise employs over 1,300 people. Individuals and small enterprises without access to conventional banking institutions may apply for individual and group microloans via Hana Microfinance. The capital provided enables customers to establish new businesses or expand existing ones.

Beyond offering loans, Hana Microfinance provides savings services designed to foster a savings habit among clients, ensuring they have investment funds available when needed, maintaining emergency cash reserves, and facilitating their transition from borrowers to investors as their savings grow. These services aim to enhance financial security and promote economic development among clients.

The organizational structure of Hana Microfinance comprises various departments, each staffed with numerous employees dedicated to advancing the company's mission across its diverse operational areas. The collective expertise of these employees forms the cornerstone of Hana Microfinance's enterprise. This structure is meticulously designed to support the company's growth and development.

Hana Microfinance, established in August 2013, is backed by shareholders Hana Capital and Hana Bank, both subsidiaries of Hana Financial Group. As a prominent South Korean financial group, Hana Financial Group underpins Hana Microfinance's mission to deliver essential financial services to underserved communities in Myanmar.

3.3.1 Organizational structure of Hana Microfinance Limited.

Hana Microfinance Limited operates under a divisional organizational structure, which is effective for managing its wide range of services and operational areas. This structure allows for clear delineation of responsibilities and facilitates focused management within distinct areas of the company.

The Board of Directors (BOD), supported by the BOD Committee, ensures strategic oversight and governance. The BOD Committee includes specialized sub-committees such as the Risk Management Committee and the Internal Audit Committee, HR Committee, Credit Committee, Executive Risk Committee, and a Legal Advisor, supports the BOD. The Managing Director/CEO (MD/CEO) leads the organization with the assistance of the Deputy Managing Director/Chief Strategy Officer (DMD/CSO).

Hana Microfinance is divided into several core divisions, each headed by a senior executive. Planning and Strategy Division, led by the Chief Strategy Officer (CSO), includes the Planning and Strategy Team responsible for developing and implementing long-term strategic plans. Finance Division: Headed by the Chief Financial Officer (CFO), this division comprises the Finance Team and Accounting Team, managing financial operations, reporting, and ensuring fiscal responsibility. Risk Management Division: Under the leadership of the Chief Risk Officer (CRO), this division includes the Risk Management Team, Risk & Compliance Team, and Call Center Team, focusing on risk assessment, mitigation, and regulatory compliance.

Human Resources and Administration Division is Led by the Chief Human Resources Officer (CHRO), this division encompasses the HR Department, Learning & Development Department, and Administration Department. It includes teams such

as Talent Development, HR Compliance, Compensation & Benefits, HR Administration & IR, Information Management, Planning & E-learning, Training & Curriculum Development, and both Head Office and Channel Administration teams.

Operations and Marketing Division, headed by the Chief Operating Officer (COO), includes the Operations Department, Branch Management (AOM and BM), Recovery Department (ARL), and Planning & Marketing Department. It focuses on operational efficiency, quality assurance, and marketing support. Digital Transformation Division: Led by the Chief Digital Officer (CDO), this division includes the Automation Department, Business Transformation Department, Data Analytics Department, and ICT Department. It manages automation, business transformation, core banking, project management, data analytics, ICT services, and infrastructure.

Internal Audit Division, Headed by the Chief Internal Audit Officer (CIAO), this division includes the Head Office Audit Team and Channel Audit Team, ensuring compliance and conducting audits across the organization. Management Supporting Division: This division, under the Chief Executive Officer (CEO), includes the Project Management Office Team, Communication Team, Legal & Compliance Team (AML/CFT), Corporate Affairs Team, and Special Investigation Team, providing essential support functions across the organization.

This divisional structure ensures that Hana Microfinance Limited operates efficiently across its various departments and teams, aligning with its mission to provide financial services and support to underserved communities in Myanmar. The detailed organizational structure shows in Appendix C.

Table (3.4) Workforce Distribution of Hana Microfinance in Pathein Branch.

Sr.No	Job Title	Division	No.of Staff
1	Regional Manager	Operation and Marketing Division	1
2	Regional Risk & Compliance Officer	Risk Management Division	2
3	Regional Risk Officer	Risk Management Division	1
4	Assistant Regional Risk Officer	Risk Management Division	3
5	Regional Accountant	Finance Division	1
6	Regional Digital Officer	Digital Transformation Division	1
7	Regional HR & Admin Officer	Human Resources and Administration Division	1
8	Branch Manager	Operation and Marketing Division	1
9	Credit Advisor	Risk Management Division	2
10	Field Officer	Operation and Marketing Division	6
11	Individual Field Officer	Operation and Marketing Division	4
12	Branch Accountant	Finance Division	1
13	Cashier	Finance Division	1
14	Branch Admin	Human Resources and Administration Division	1
Total			26

Source : Hana Microfinance (June,2024)

Regarding to Table (3.4), Hana Microfinance employs a total of 26 staff members distributed across various roles and divisions. This structure includes management, support, and field staff, ensuring a comprehensive operational framework.

Hana Microfinance Limited offers a wide range of services aimed at increasing financial inclusion for the rural poor in Myanmar. These services encompass both financial and non-financial support, with a primary focus on providing accessible and affordable credit. Hana Microfinance has historically been the primary source of affordable credit for many rural families, especially for those involved in family farming. This support has been instrumental in increasing agricultural yields, facilitating market access, and ultimately raising household incomes.

The financial services offered by Hana Microfinance include various savings plans and a diverse array of loan products. Clients are encouraged to adopt regular saving habits, which help build their financial security over time. The loan products are tailored to meet different needs and include micro and small business loans, agriculture loans, livestock loans, equipment loans, and health emergency loans. These loans are essential for supporting entrepreneurial activities, farming operations, livestock maintenance, and unexpected medical expenses, thereby contributing to the overall economic resilience of the clients. Additionally, Hana Microfinance provides deposit services, allowing clients to securely save their money, and cash transfer services to facilitate the movement of funds for development projects.

In line with government policies, Hana Microfinance focuses on several key areas to promote rural development and reduce poverty. These areas include the development of small private businesses, agricultural production, small-scale manufacturing operations, social and economic development in rural areas, and livestock and fish production. By supporting these activities, Hana Microfinance plays a crucial role in enhancing the economic well-being of rural communities. The institution's loan products are categorized into two main types: Income Generation Loans and Social Loans. Income Generation Loans encompass Micro-business loans, enterprise loans, Staffs loan and agriculture loans. Clients can avail up to three Income Generation Loans, with a total active loan amount not exceeding 10,000,000 Kyats and effective interest rate 28% per annum for income generation loans and social loan of effective interest rate 18% per annum.

3.3.2 Loan Products & Repayment Method of Hana.

Hana Microfinance offers a range of loan products designed to meet the diverse needs of its clients, supporting both business growth and personal development. The primary loan products include Group Loans, Individual Loans, and Consumer Loans, each tailored to specific borrower needs and financial situations.

Group Loan

The Group Loan is intended for business owners who either currently operate a valid business or wish to establish one. This product is designed to facilitate business growth and operational continuity. The loan amounts range from 50,000 MMK to 5,000,000 MMK, with a term extending from 3 to 24 months. The annual interest rate for this loan is set at 28%. Repayment can be structured either through Equated Monthly

Installments (EMI) or interest-only payments, depending on the borrower's income pattern. EMI is suitable for those with regular income, such as employees or service-oriented businesses and micro businesses, while interest-only payments are ideal for borrowers with irregular income, such as those involved in agriculture or livestock farming, Services and Trading.

Individual Loan

The Individual Loan caters to business owners seeking to expand their existing operations. This product helps clients scale their businesses and sustain growth. Loan amounts for this product range from 1,000,000 MMK to 10,000,000 MMK, and the loan term spans from 6 to 24 months. The annual interest rate for this loan is set at 28%, repayment can be made via EMI or interest-only methods, depending on the nature of the borrower's income. Regular income businesses and employees typically use EMI, while agricultural and livestock businesses might opt for interest-only payments.

Consumer Loan

The Consumer Loan supports collaboration with partner organizations to address housing and electricity needs in rural areas. The loan amounts available range from 100,000 MMK to 5,000,000 MMK, with terms from 6 to 72 months. The annual interest rate is slightly lower at 26%. Repayment options for this loan include EMI and interest-only payments, catering to various income scenarios similar to the Group and Individual Loans.

Savings Requirements

For all loan products, Hana Microfinance mandates a compulsory saving of 5% of the borrowed amount as per FRD instruction. This saving earns an annual interest rate of 14%. Additionally, clients have the option to engage in voluntary savings, with the annual interest rate also set at 14%.

Loan Repayment Performance

In Pathein Township, Hana Microfinance has demonstrated a strong loan repayment performance with an on-time collection rate ranging between 93% and 95% over the past six months. This metric underscores the effectiveness of Hana's loan products and repayment systems in ensuring timely loan servicing.

Table: (3.5) Hana Loan Repayment Performance in Pathein

Year	Quarter	Active Borrower	Credit		Repayment - On time Collection Rate
			Loan Outstanding	Repayment	
2024	1st	1,060	1,704,816,000	283,520,250	95%
	2nd	1,260	2,754,417,650	380,920,650	93%

Source, Hana 2024

During the first quarter of 2024, Hana Microfinance had 1,060 active borrowers with a total loan outstanding of MMK 1,704,816,000 and a repayment amount of MMK 283,520,250, achieving a 95% on-time collection rate. In the second quarter, the number of active borrowers increased to 1,260, with a loan outstanding of MMK 2,754,417,650 and a repayment amount of MMK 380,920,650, resulting in a slightly lower but still impressive on-time collection rate of 93%.

This high on-time collection rate reflects the robustness of Hana Microfinance's operational strategies, including effective borrower screening, tailored loan products, and rigorous repayment tracking mechanisms. By maintaining strong repayment performance, Hana Microfinance not only enhances its financial stability but also builds trust and reliability among its clients. These achievements highlight the institution's commitment to supporting the financial health and sustainability of its borrowers in Pathein Township.

3.4 Factors Influencing loan repayment performance of Hana Microfinance

Hana Microfinance, comprehensive approach to evaluating borrower characteristics, loan features, business and farming practices, and external economic factors provides a holistic understanding of the factors influencing loan repayment performance. Based on how well a financial institution's spread loans have performed throughout a number of industries, loan performance serves as a gauge of its stability. It also describes how well the loans perform in terms of meeting their payment schedules compared to their actual performance, as well as the predicted behaviors of the loans.

Borrower Characteristics

Borrower characteristics at Hana Microfinance are shaped by several key factors that influence timely loan repayments. Firstly, the age of borrowers plays a

significant role in their ability to manage and repay loans punctually, with those within the eligible age range of 18 to 60 years old typically demonstrating a more stable financial situation. Education level contributes to effective loan management, as borrowers with higher education are better equipped to handle financial planning and understand the impact of interest rates. Income level is another crucial determinant, with sufficient income being essential for covering loan repayments and maintaining financial stability.

Borrowers are required to save a compulsory 5% of their loan amount, which aids in future financial preparedness and reinforces their commitment to timely payments. A thorough understanding of Hana's interest rate concept, capped at a maximum of 28% per annum, is crucial for borrowers to gauge their repayment obligations accurately. Furthermore, borrowers are well-informed about the terms and conditions of their loans, including agricultural loans, and the implications of defaulting. This comprehensive understanding ensures that timely payments are consistently made, reflecting a strong desire to fulfill repayment obligations and mitigate the risk of default.

Loan Characteristics

The adequacy of loan amounts provided by Hana Microfinance is crucial for the borrowers' business operations. The loan characteristics of Hana Microfinance's products play a crucial role in shaping loan repayment performance. For the group loan, designed for business owners or prospective entrepreneurs, the loan amount ranges from 50,000 MMK to 5,000,000 MMK, with a loan term 3 to 24 months. Eligible borrowers must be between 18 to 60 years old and possess necessary documents such as NRC, Household Registration, and a business license or proof of business. This loan requires a group of 3 to 5 like-minded individuals residing in the same ward, and it mandates a compulsory saving of 5% of the borrowed amount, which earns 14% annual interest as savings. The annual interest rate on these loans is capped at 28%, with repayments scheduled monthly or every 28 days.

For Individual Loans, intended for business expansion, borrowers can access amounts from 1,000,000 MMK to 10,000,000 MMK over a period of 6 to 24 months. Applicants must be Myanmar citizens aged 20 to 60 years, with NRC, Household Registration, and a business license, and they need to apply with a family member. A guarantor with an established business is required. Similar to Group Loans, Individual

Loans have a 5% compulsory saving requirement and an annual interest rate of 28%, with repayments also set on a monthly basis.

Consumer Loans, aimed at housing and electricity needs in rural areas, offer amounts from 100,000 MMK to 5,000,000 MMK for terms between 12 to 72 months. Applicants must meet similar criteria as other loans, including a compulsory saving of 5% and a maximum annual interest rate of 28%, with repayments scheduled monthly or every 28 days. Each loan type ensures borrowers are well-equipped to handle their repayment obligations through structured terms and conditions, compulsory savings, and clear repayment schedules.

Business and Farming Factors

Business and farming factors significantly influence loan repayment performance at Hana Microfinance. Detailed records of all business transactions are crucial, as they enable borrowers to track financial activities and manage their cash flow effectively. The preparation and adherence to a cash flow statement are essential practices that support financial stability and ensure that borrowers can meet their repayment obligations. Regular monitoring of business performance allows borrowers to make informed decisions and adapt strategies as needed.

In farming contexts, appropriate pest and disease management, along with ensuring the health and well-being of crops and animals, is critical for maintaining productivity and income stability. Engaging in both farming and non-farming activities helps diversify income sources, reducing financial risk. Participation in community programs that enhance income generation further supports overall financial health.

Hana Microfinance's initiatives, such as the Green Way app and Hana Client app upgrades, are designed to improve business and farming practices. The Green Way app offers agricultural know-how and access to markets, while the Hana Client app facilitates better financial management and digital literacy. These tools help borrowers maintain detailed records, manage cash flow, and monitor business performance more effectively, thereby enhancing loan repayment performance. The integration of digital tools and data-driven approaches aims to support borrowers in managing their enterprises and ultimately improve their financial outcomes.

Engagement in both farming and non-farming activities for income diversification is a common practice among borrowers, reducing financial risks and

enhancing repayment capabilities. Participation in community programs that enhance income generation further supports borrowers' financial stability. Access to microfinance has significantly improved overall business performance, indicating that Hana Microfinance's services are instrumental in fostering economic growth and financial inclusion.

External Factors

The current economic conditions in the region positively affect borrowers' businesses, facilitating better loan repayment performance. However, inflation rates significantly impact business costs, posing challenges to financial stability. Economic conditions also affect the ability to repay loans on time, highlighting the need for adaptive financial strategies.

Government agricultural policies have a positive impact on borrowers' businesses, providing support and incentives that enhance productivity and income. Understanding regulatory requirements affecting business operations is crucial for borrowers to comply with legal standards and maintain smooth business functions. Market price volatility and changes in supply and demand significantly impact business revenue, emphasizing the need for robust financial planning and risk management strategies among borrowers.

Loan Repayment Performance

Loan repayment performance is a critical indicator of the financial health and stability of Hana Microfinance. Consistent and timely loan repayments are essential for maintaining the institution's cash flow and ensuring the sustainability of its lending operations. Several factors contribute to the strong repayment performance observed among Hana Microfinance's borrowers.

The strong repayment performance at Hana Microfinance can be attributed to a combination of timely repayments, manageable obligations, adequate business income, awareness of due dates, effective financial planning, and clear reminders for upcoming payments. By addressing these variables, Hana Microfinance ensures that its borrowers are well-equipped to meet their financial commitments, thereby promoting financial stability and fostering a sustainable microfinance environment.

CHAPTER IV

ANALYSIS OF FACTORS AFFECTING LOAN REPAYMENT PERFORMANCE

This chapter includes a detailed examination of the elements impacting repayment performance as well as a summary of the respondents' characteristics. The findings and the comprehensive stages of the analysis are given.

4.1 Research Design

The study has a strong emphasis on quantitative research, which looks at numerical data in ways like measuring respondent impressions using a Likert scale. The research uses an explanatory method to investigate the factors influencing repayment performance and aims to explain why and how there is a link between two or more variables.

Customers of Hana Microfinance's agriculture loan in Pathein Township are requested to participate in the survey as responders. With the use of questionnaires, in-person interviews are used to gather primary data. A combination of primary and secondary data sources were used in the study. The study's target population included 120 farmers. The Yamane formula (1967) was used in the investigation to establish the suitable sample size. Participants were chosen at random from among the farmer population that has received loans from Hana Microfinance Limited. To gather data, a systematic questionnaire based on the Five-Point Likert Scale was developed. In order to facilitate effective data collecting, an online survey questionnaire form was established for the June 2024 data gathering session. Secondary data was also gathered from the World Bank report, Internet websites, journal publications, international research papers, and reference textbooks. In this study, both descriptive and quantitative research methods were used.

Yamane’s formula and sample size calculation.

$$n = \frac{N}{1+n\,(e)^2}$$

N = 170

e = 0.05

n = N/ 1+ N(e)2

n = 170 / 1+ 170 (0.05)2

n = 119.298

4.2 Reliability Test for Variables

Test consistency is referred to as reliability. Several reliability coefficients are used in various ways. Among the most popular is Cronbach's Alpha, which is also known as a correlation coefficient and has a value between 0 and 1.

Table: (4.1) Reliability Test for Variables.

Items	Cronbach's Alpha	No. of Items
Borrower Characteristics	0.962	8
Loan Characteristics	0.96	8
Business and Farming Factors	0.958	8
External Factors	0.958	8
Repayment Performance	0.963	6

Source: Survey Data (2024)

Table (4.1) shows that all values have strong reliability since they are more than 0.8 (that is, the Cronbach's Alpha values of 0.947, 0.966, 0.967, 0.970, and 0.971 are higher than 0.8). Subsequently, the Return on Assets alpha value of 0.971 indicates the presence of dependability. As a result, this component is internally consistent and reliable to examine the impact of Hana Microfinance Limited's loan payback performance.

4.3 Respondent Profiles

This section looks at the respondents' demographics, which are broken down into seven categories: gender, age, age at marriage, education, monthly income, and number of family members. Additional information is given below.

Table (4.2) Demographic Characteristics of Respondents

Particular	Frequency	Percent
Total Number of Respondents	120	100
Gender		
• Male	26	21.7
• Female	94	78.3
Marital Status		
• Single	69	57.5
• Married	51	42.5
Age (Years)		
• Under 25 and 25 years	5	4.2
• 26-30 years	39	32.5
• 31-35 years	48	40.0
• 36-40 years	15	12.5
• 41years and above	13	10.8
Education level		
• University Level	11	9.1
• Bachelor's Degree	83	69.2
• Master's Degree	26	21.7
Monthly Income		
• 100,000 – 1,000,000 Kyats	69	57.5
• 1,000,001 – 2,000,000 Kyats	27	22.5
• 2,000,001 – 3,000,000 Kyats	13	10.8
• 3,000,001 – 4,000,000 Kyats	5	4.2
• Above 4,000,000 Kyats	6	5.0
Number of Family Members		
• 1-4	70	58.3
• 5-8	50	41.7
How much you borrow regularly?		
• Below 3,000,000 Kyats	72	60.0
• 3,000,001 – 4,000,000 Kyats	13	10.8
• 4,000,001 – 5,000,000 Kyats	29	24.2
• 5,000,001 – 10,000,000 Kyats	6	5.0

Source: Survey Data (2024)

According to the above data presented in Table (4.2), Total of 120 respondents participated in the survey, providing a comprehensive overview of the demographic characteristics of the sample population. Of the respondents, 21.7% were male and 78.3% were female, indicating a significant gender disparity. Marital status distribution showed that 57.5% of respondents were single, while 42.5% were married. The age distribution revealed that a small proportion (4.2%) were 25 years or younger, 32.5% were aged between 26-30 years, 40.0% were between 31-35 years, 12.5% were between 36-40 years, and 10.8% were 41 years or older.

In terms of educational attainment, 9.1% had university-level education, 69.2% held a bachelor's degree, and 21.7% had obtained a master's degree. The monthly income levels varied, with 57.5% earning between 100,000 – 1,000,000 Kyats, 22.5% earning between 1,000,001 – 2,000,000 Kyats, 10.8% earning between 2,000,001 – 3,000,000 Kyats, 4.2% earning between 3,000,001 – 4,000,000 Kyats, and 5.0% earning above 4,000,000 Kyats. Family size was also recorded, with 58.3% of respondents having 1-4 family members and 41.7% having 5-8 family members.

Regarding borrowing behavior, 60.0% of respondents regularly borrowed amounts below 3,000,000 Kyats, 10.8% borrowed between 3,000,001 – 4,000,000 Kyats, 24.2% borrowed between 4,000,001 – 5,000,000 Kyats, and 5.0% borrowed between 5,000,001 – 10,000,000 Kyats. This demographic analysis provides a foundational understanding of the respondents, highlighting key characteristics that may influence loan repayment performance in the context of agricultural microfinance in Pathein Township, Ayeyarwady Division.

4.4 Analysis on Factors Affecting of Loan Repayment Performance.

This section examines the various factors influencing loan repayment performance among borrowers of Hana Microfinance. The study explores the interaction between loan characteristics, such as loan amounts and repayment terms, and business and agricultural activities. Additionally, it considers external economic conditions and the borrowers' ability to manage and fulfill their loan obligations.

Understanding the overall environment in which borrowers operate is crucial for identifying the determinants of their repayment behavior. This analysis provides insights into how borrower characteristics, business and farming practices, and external economic factors collectively impact loan repayment performance. By investigating

these interactions, the study aims to uncover the underlying reasons for successful or poor repayment practices.

The findings of this section are vital for microfinance institutions and policymakers. They offer a comprehensive understanding of the dynamics at play in the loan repayment process, which can inform the development of effective strategies to enhance borrower satisfaction and improve loan repayment efficiency. By identifying the key factors that influence repayment performance, microfinance institutions like Hana can tailor their products and services to better meet the needs of their clients, ultimately fostering a more sustainable and supportive lending environment.

4.4.1 Descriptive Result of Variables

A 5-point Likert scale was used to rate each item in the study: 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree. Mean values were established based on respondents' perspectives. The table displays the average values (4.3).

Table (4.3) Rating Scale

Mean Score Between	Interpretation
1.00 – 1.80	Lowest
1.81 – 2.60	Low
2.61 – 3.40	Neutral
3.41 – 4.20	High
4.21 – 5.00	Highest

Source, Best, 1977

Based on a five-point Likert scale, the best 1977 score falls between 1 and 1.8, 1.81 and 2.60, 2.61 and 3.40, 3.41 and 4.20, and 4.21 and 5, which is regarded as very high. Furthermore, a standard deviation of less than one suggests that there are no major variances in the replies, but a standard deviation of more than one suggests that there are considerable variations.

4.4.2 Respondent Perception on Borrower Characteristics

Eight criteria are used to assess respondent perception of demographic parameters. Table (4.4) displays the mean and standard deviation values.

Table (4.4) Respondent Perception on Borrower Characteristics

No.	Items	Mean	Standard Deviation
1	Loans are repaid on time due to a strong desire to fulfill repayment obligations.	4.54	0.53
2	Age influences the ability to repay the loan on time.	4.28	0.72
3	Education helps me manage the loan repayments effectively	4.29	0.46
4	Income level is sufficient to support loan repayment.	4.40	0.59
5	The concept of interest rates and impact on loans is well understood.	4.18	0.52
6	The terms and conditions of the agricultural loan are well understood.	4.35	0.48
7	Timely payments are made on all loans.	4.53	0.50
8	Awareness of the consequences of defaulting on a loan is present.	4.41	0.50
Overall Mean		4.37	

Source: Survey Data (2024)

The overall mean score for borrower characteristics is 4.37, as shown in Table (4.4). The lowest mean score is 4.18, indicating that the concept of interest rates and their impact on loans is well understood. The highest mean score is 4.54, indicating that loans are repaid on time due to a strong desire to fulfill repayment obligations.

4.4.2 Respondent Perception on Loan Characteristics/Factor

Respondent perception on loan characteristics/factor is measured with eight factors. The mean and standard deviation values are presented in Table (4.5).

Table (4.5) Respondent Perception on Loan Characteristics/Factor

No.	Items	Mean	Standard Deviation
1	The loan amount is sufficient to operate the business.	3.93	0.59
2	The loan amount meets the business needs without requiring additional funds.	4.01	0.56
3	Satisfaction is expressed with the loan amount provided by Hana Microfinance	4.03	0.53
4	The loan repayment period provides enough time to operate a business with the loan.	4.08	0.49
5	The ability to repay the loan within the given term is confidently.	4.28	0.51
6	The interest rate of the loan to be reasonable.	4.03	0.56
7	The interest rate is manageable given the business income.	4.00	0.58
8	Future borrowing is planned based on the specified interest rate of the loan	3.88	0.62
Overall Mean		4.03	

Source: Survey Data (2024)

The overall mean score for loan characteristics is 4.03, as shown in Table (4.5). The lowest mean score is 3.88, indicating that future borrowing is planned based on the specified interest rate of the loan, while the highest mean score is 4.28, indicating that respondents feel confident in their ability to repay the loan within the given term.

4.4.3 Respondent Perception on Business and Farming Factors

Respondent perceptions on business and farming factors are assessed across eight key items, with mean and standard deviation values presented in Table (4.6).

Table (4.6) Respondent Perception on Business and Farming Factors

Sr.	Items	Mean	Standard Deviation
1	Detailed records of all business transactions are maintained.	4.37	0.48
2	Cash flow statement for the business is prepared and followed.	4.32	0.47
3	Business performance is regularly monitored	4.10	0.51
4	Appropriate methods are employed to manage pests and diseases.	4.13	0.34
5	The health and well-being of crops and animals are ensured.	4.33	0.47
6	Both farming and non-farming activities are engaged in for income.	4.28	0.45
7	Participation in community programs that enhance income generation is undertaken.	4.08	0.28
8	Access to microfinance has improved overall business performance.	4.25	0.43
Overall Mean		4.23	

Source: Survey Data (2024)

Table (4.6) displays the total mean score of 4.23 for respondent perception of business and agricultural aspects. The greatest mean score of 4.37 indicates that thorough records of all company transactions are kept, while the lowest mean score of 4.08 indicates engagement in community projects that improve revenue creation.

4.4.4 Respondent Perception on External Factors

Respondent perception on External factors is measured with eight factors. The mean and standard deviation values are presented in Table (4.7).

Table (4.7) Respondent Perception on External Factors

Sr.	Items	Mean	Standard Deviation
1	The current economic conditions in region positively affect the business.	4.40	0.49
2	Inflation rates have significantly impacted the business costs.	4.47	0.50
3	Economic conditions have affected my ability to repay loans on time.	4.48	0.50
4	Government agricultural policies have positively impacted on the business.	4.58	0.50
5	Regulatory requirements affecting business operations are well understood.	4.20	0.40
6	Market price volatility affects on the business revenue.	4.37	0.48
7	Changes in supply and demand significantly impact the business.	4.34	0.48
8	Effective adaptation to market changes is achievable.	4.15	0.36
Overall Mean		4.37	

Source: Survey Data (2024)

The overall mean score for respondent perceptions on external factors is 4.37, as shown in Table (4.7). The lowest mean score is 4.15, indicating that respondents feel effective adaptation to market changes is achievable, while the highest mean score is 4.58, indicating that government agricultural policies have positively impacted their businesses.

4.4.5 Summary of Respondent Perception

Overall Mean values of above four mentioned factors are summarily shown in Table (4.8).

Table (4.8) Respondence Perception on all Factors

Sr. No	Items	Overall Mean
1	Borrower Characteristics	4.37
2	Loan Characteristics	4.03
3	Business and Farming Factors	4.23
4	External Factors	4.37

Source: Survey Data (2024)

Based on Table (4.8), the highest mean score was observed for Borrower Characteristics, indicating a strong consensus among respondents on the importance of borrower attributes in loan repayment performance. This suggests that effective management of borrower characteristics is crucial in the context of microfinance services. The mean scores for Loan Characteristics, Business and Farming Factors, and External Factors also reflect significant perceptions of their impact. Overall, respondents agree that these factors collectively contribute to the effectiveness of microfinance services.

4.4.6 Respondent Perception on Repayment Performance

Respondent perception on External factors is measured with eight factors. The mean and standard deviation values are presented in Table (4.9).

Table (4.9) Respondent Perception on Repayment Performance

Sr	Items	Mean	Standard Deviation
1	Loan repayments are consistently made on time	4.44	0.50
2	Meeting loan repayment obligations is manageable.	4.43	0.50
3	Business income adequately covers loan repayments.	4.28	0.45
4	Awareness of the specific due dates for loan repayments exists.	4.53	0.50
5	Finances are planned to ensure timely availability of funds for loan repayments.	4.34	0.48
6	Hana microfinance provides clear reminders for upcoming payments.	4.27	0.44
Overall Mean		4.38	

Source: Survey Data (2024)

The overall mean score for respondents' perception on repayment performance is 4.38, as shown in Table (4.9). The lowest mean score is 4.27, indicating that respondents perceive Hana Microfinance's reminders for upcoming payments as clear, while the highest mean score is 4.53, indicating a strong awareness among respondents of the specific due dates for loan repayments.

4.5 Correlation Analysis of Factors Affecting Repayment Performance

Following the reliability test, the relationship between the dependent variable (loan repayment performance on time collection rate) and the independent variables (borrower characteristics, loan characteristics, business and farming factors, and external factors) is examined by correlation testing. The statistical method that may demonstrate if and to what extent two variables are connected to one another is correlation. The range of a correlation coefficient is -1.0 to +1.0. Table 4.10 displays the correlation findings of the measured variables.

Table (4.10) Correlation analysis between Independent and Dependent variables

Sr.No.	Independent Variables	Correlation Coefficient [a]	P-Value
1	Borrower Characteristics	.804**	0.000
2	Loan Characteristics	.849**	0.000
3	Business and Farming Factors	.868**	0.000
4	External Factors	.874**	0.000
a = Dependent variable (repayment performance)			

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

4.6 Multiple Regression Analysis for Loan Repayment Performance

One statistical method for determining a criterion's value from a number of independent, or predictor, factors is multiple regression analysis. To examine the hypothesized goals of the link between independent variables (loan repayment performance on time collection rate) and dependent variables (borrower characteristics, loan characteristics, business and agricultural factors, and external factors), multiple regression analysis is used. The results are shown in Table (4.11).

Table (4.11) Multiple regression analysis for Loan Repayment Performance

Variables	Unstandardized Coefficient		Standardized Coefficient	t	Sig.	VIF
	B	Std. Error	Beta			
(Constant)	.001	.191		.004	.997	
Borrower Characteristics	.013*	.089	.013	0.144	.086	5.060
Loan Characteristics	.286***	.102	.255	2.830	.005	5.547
Business and Farming Factors	.375***	.108	.329	3.400	.001	6.037
External Factors	.407***	.105	.373	3.874	.000	6.110
R Square						0.817
Adjusted R Square						0.811
F value						131.522***

Source: Survey Data (2024)

*** significance level at 1%, ** significance level at 5%, * significance level at 10%

Multiple regression analysis was employed to examine the impact of various independent variables on repayment performance at Hana Microfinance. The results, detailed in Table (4.11), reveal significant relationships between several predictors and repayment performance. Microfinance emphasizing the importance of targeted interventions in these areas to enhance financial outcomes.

Thus, the study estimates the following model for loan repayment performance:

$$\hat{Y} = y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4$$

Where: $\hat{Y} = y$ = Repayment performance

a = Constant (intersection)

b = Coefficient (the slope of the regression)

x_1 = Borrower Characteristics

x_2 = Loan Characteristics

x_3 = Business and Farming Factors

x_4 = External Factors

At $P < 0.01$, the multiple regression analysis results are as follows:

According to the multiple regression analysis results in Table (4.10), the model can be interpreted as follows:

Repayment performance = 0.001 + 0.013 Borrower Characteristics + 0.286 Loan Characteristics + 0.375 Business and Farming Factors + 0.407 External Factors

The analysis reveals that Loan Characteristics, Business and Farming Factors, and External Factors have significant and positive impacts on repayment performance. Specifically, Loan Characteristics ($b=0.286$, $t=2.830$, $p<0.01$), Business and Farming Factors ($b=0.375$, $t=3.400$, $p<0.01$), and External Factors ($b=0.407$, $t=3.874$, $p<0.01$) all show strong associations with better repayment performance. Borrower Characteristics, however, show a less significant impact ($b=0.013$, $t=0.144$, $p>0.01$).

The high R Square value of 0.817 and the Adjusted R Square value of 0.811 indicate that the model explains a substantial portion of the variance in loan repayment performance. The F value of 131.522 ($p<0.01$) confirms the overall significance of the model. These results suggest that enhancing loan characteristics, improving business and farming factors, and addressing external factors are crucial for improving loan repayment performance. While borrower characteristics are important, their impact is less pronounced in this model. The significant variables highlight key areas where microfinance institutions can focus their efforts to enhance repayment performance on time collection.

CHAPTER V

CONCLUSION

The study's findings about the factors that contribute to Hana Microfinance's on-time collection rate in Pathein Township are presented in this chapter. This chapter includes recommendations for further research, a conclusion, and a discussion of the results.

5.1 Findings and Discussion

According to the study's conclusions, the overall results were derived from a primary analysis of the data collected via correlation and in-depth analysis. The purpose of this research was to determine and investigate the variables affecting Hana Microfinance Limited's loan repayment performance, with an emphasis on agricultural loan customers in Pathein Township. Structured questionnaires are used in the research to gather primary data. The dependent variable is repayment performance, and the simple random sample approach was used to choose 120 respondents from a total of 170 farm loan customers. Multiple regression analysis is the primary analytical method used to test the factors affecting repayment performance.

The findings of this study highlight several critical factors that significantly influence loan repayment performance at Hana Microfinance. Key determinants include borrower characteristics, loan characteristics, business and farming factors, and external factors. Among these, business and farming factors such as maintaining detailed business records, preparing cash flow statements, and ensuring the health of crops and animals are strong predictors of timely repayments. External factors, such as economic conditions and government policies, also play critical roles in shaping repayment behaviors.

Regarding the result of the correlation analysis indicates strong significant relationships between all independent variables (borrower characteristics, loan characteristics, business and farming factors, and external factors) and loan repayment performance. In these results indicate a strong positive correlation, meaning that improvements in these factors are associated with better loan repayment performance.

Particularly, the weak positive relationship between borrowers' business skills and repayment performance highlights that enhancing business skills through training and support can improve repayment outcomes. Effective business management, supported by such training, positively impacts borrowers' ability to manage their businesses and repay loans on time.Detailed respondent perceptions provide further insights.

Business and farming factors, aspects such as maintaining detailed business records and ensuring crop and animal health received high ratings, while participation in community programs was rated lower. The weak positive correlation between borrowers' business skills and repayment performance suggests that targeted training and support in business management could enhance repayment outcomes. In external factors, perceptions of economic conditions and government policies show a strong positive impact on businesses. High ratings reflect the beneficial effects of government agricultural policies on business performance. Economic conditions and supportive policies significantly influence repayment behavior, with favorable conditions contributing to better repayment performance.

The multiple regression analysis further corroborates these findings, revealing that loan characteristics, business and farming factors, and external factors significantly impact loan repayment performance. Among these, external factors exert the strongest influence, followed by business and farming factors. To enhance loan repayment performance, it is recommended that Hana Microfinance focus on improving support mechanisms related to loan characteristics and external factors. Addressing external challenges and refining financial services to better align with borrower needs can significantly boost the effectiveness of microfinance interventions.

5.2 Suggestions and Recommendations

Based on the findings of this study, Hana Microfinance Limited should prioritize several strategic actions to enhance loan repayment performance. The analysis reveals that borrower characteristics, loan characteristics, business and farming factors, and external factors significantly influence repayment outcomes. Among these, business and farming factors such as effective business management practices and income stability emerge as critical predictors of timely repayments. Additionally,

external factors, including economic conditions and government policies, also play a pivotal role in shaping repayment behaviors.

A key recommendation is to focus on improving loan products and addressing external challenges. Adjusting financial services to better align with the specific needs of borrowers and addressing external economic and policy-related issues could enhance repayment performance. Additionally, investing in business skills development for borrowers is crucial. Providing targeted training and support to improve borrowers' business management capabilities can positively impact their ability to manage businesses effectively and, consequently, repay loans on time.

Furthermore, the study underscores the importance of reinforcing support mechanisms related to loan characteristics and external factors. Enhancing these support systems and addressing external challenges will likely improve repayment reliability. Future interventions should also aim to sustain borrower engagement by focusing on both business and farming factors, ensuring that borrowers remain committed to timely repayment.

5.3 Need for Future Study

This study focuses on borrower characteristics, loan characteristics, business and farming factors, and external factors affecting loan repayment at Hana Microfinance in Pathein Township. Future research should address several areas to enhance microfinance practices. Specifically, robust statistical analyses of variables like age, education level, and household income should be conducted to understand their impact on borrower behavior and repayment. Expanding research to include multiple microfinance institutions across various regions will help identify universal and context-specific factors influencing loan repayment. This study is reliance on data from agriculture loan clients in Pathein Township limits generalizability. Future studies should replicate these findings across different institutions and incorporate qualitative methods, such as interviews or focus groups, to gain deeper insights into borrower experiences. Addressing these limitations will improve the understanding and effectiveness of microfinance services.

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APPENDIX (A)

I'm a master second year student from Yangon University of Economics, currently pursuing a degree of Master of Banking and Finance (MBF). As part of my graduation, I am required to conduct this survey. The title of thesis is **"**Loan repayment performance of Hana Microfinance Limited". It would probably take about 10 - 15 minutes to answer this questionnaire.

Part-I

Demographic Factors

1. Gender:

☐ Male

☐ Female

2. Marital Status

☐ Single

☐ Married

3. Your age:

☐ under 25 and 25 years

☐ 26 - 30 years

☐ 31 - 35 years

☐ 36 - 40 years

☐ 41 years and more

4. Educational level:

☐ University level

☐ Bachelor

☐ Master

5. Monthly income

- ☐ 100,000 – 1,000,000 Kyats
- ☐ 1,000,001 – 2,000,000 Kyat
- ☐ 2,000,001 – 3,000,000 Kyats
- ☐ 3,000,001 – 4,000,000 Kyats
- ☐ above 5,000,000 Kyats

6. Number of family members

- ☐ 1 - 4
- ☐ 5 - 8
- ☐ 9 - 12
- ☐ above 12

7. How much you borrow regularly?

- ☐ 1,000,001 – 2,000,000 Kyats
- ☐ 2,000,001 – 3,000,000 Kyats
- ☐ 3,000,001 – 4,000,000 Kyats
- ☐ 4,000,001 – 5,000,000 Kyats
- ☐ 5,000,001 – 10,000,000 Kyats

Part-II

Please indicate the extent to which you agree or disagree with the following.

1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = agree, 5 = strongly agree.

Please tick (√) appropriately.

Sr.	Borrower Characteristics	1	2	3	4	5
1	Loans are repaid on time due to a strong desire to fulfill repayment obligations.					
2	Age influences the ability to repay the loan on time.					
3	Education helps me manage the loan repayments effectively					
4	Income level is sufficient to support loan repayment.					
5	The concept of interest rates and impact on loans is well understood.					
6	The terms and conditions of the agricultural loan are well understood.					
7	Timely payments are made on all loans.					
8	Awareness of the consequences of defaulting on a loan is present.					

Sr.	**Loan Characteristics/Factor**	**1**	**2**	**3**	**4**	**5**
1	The loan amount is sufficient to operate the business.					
2	The loan amount meets the business needs without requiring additional funds.					
3	Satisfaction is expressed with the loan amount provided by Hana Microfinance					
4	The loan repayment period provides enough time to operate a business with the loan.					
5	The ability to repay the loan within the given term is confidently					
6	The interest rate of the loan to be reasonable.					
7	The interest rate is manageable given the business income.					
8	Future borrowing is planned based on the specified interest rate of the loan					

Sr.	**Business and Farming Factors**	**1**	**2**	**3**	**4**	**5**
1	Detailed records of all business transactions are maintained.					
2	Cash flow statement for the business is prepared and followed.					
3	Business performance is regularly monitored					
4	Appropriate methods are employed to manage pests and diseases.					
5	The health and well-being of crops and animals are ensured.					
6	Both farming and non-farming activities are engaged in for income.					
7	Participation in community programs that enhance income generation is undertaken.					
8	Access to microfinance has improved overall business performance.					

Sr.	**External Factors**	**1**	**2**	**3**	**4**	**5**
1	The current economic conditions in region positively affect the business.					
2	Inflation rates have significantly impacted the business costs.					
3	Economic conditions have affected the ability to repay loans on time.					
4	Government agricultural policies have positively impacted on the business.					
5	Regulatory requirements affecting business operations are well understood.					
6	Market price volatility affects on the business revenue.					
7	Changes in supply and demand significantly impact the business.					
8	Effective adaptation to market changes is achievable.					

Sr.	**Repayment Performance**	**1**	**2**	**3**	**4**	**5**
1	Loan repayments are consistently made on time					
2	Meeting loan repayment obligations is manageable.					
3	Business income adequately covers loan repayments.					
4	Awareness of the specific due dates for loan repayments exists.					
5	Finances are planned to ensure timely availability of funds for loan repayments.					
6	Hana microfinance provides clear reminders for upcoming payments.					

(Thank you for your invaluable time and efforts.)

APPENDIX (B)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.065	4	10.518	131.522	.000[b]
	Residual	9.435	118	.080		
	Total	51.500	122			

a. Dependent Variable: Repayment Performance

b. Predictors: (Constant), External Factors, Borrower Characteristics, Loan Characteristics, Business and Farming Factors

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.904[a]	.817	.811	.2827674574

a. Predictors: (Constant), External Factors, Borrower Characteristics, Loan Characteristics, Business and Farming Factors

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.001	.191		.004	.997		
Borrower Characteristics	.013	.089	.013	0.144	.086	.179	5.060
Loan Characteristics	.279	.102	.255	2.744	.007	.182	5.547
Business and Farming Factors	.367	.108	.329	3.393	.001	.159	6.037
External Factors	.403	.105	.373	3.828	.000	.164	6.110

a. Dependent Variable: Repayment Performance

APPENDIX (C)

Organization Chart of Hana Microfinance