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Title Sociological institutionalist approach on banks' lending behavior in Myanmar (Burma)

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SOCIOLOGICAL INSTITUTIONALIST APPROACH ON STUDYING BANKS' LENDING BEHAVIOUR IN MYANMAR (BURMA)

by

SANDAR WIN

A thesis submitted to the University of Bedfordshire in partial fulfilment of the requirements for the degree of Doctor of Philosophy

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SOCIOLOGICAL INSTITUTIONALIST APPROACH ON STUDYING BANKS' LENDING BEHAVIOUR IN MYANMAR (BURMA)

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ABSTRACT

This is an exploratory study which investigated the process by which banks' lending behaviour in Myanmar (Burma) was influenced by the institutional environment and their responses towards them. The theoretical framework used in this study was primarily drawn upon Scott's new institutional theory. Since the theory focused on the convergent perspective rather than divergent perspective, the theory of Oliver's strategic responses to these institutional pressures, coercive, normative and mimetic, was incorporated in the theoretical framework development. The main method of data collection was interviews. NVIVO was used to analyse these interviewed data. However, descriptive statistics were also used to provide a comprehensive picture of the context being studied. The findings suggest that banks' always attempted to externalise risks to borrowers. Their responses to institutional pressures were to conform but a range of other forms of resistance were also found. However, strong forms of resistance were uncommon. I have also identified the situations in which the banks would choose either strong or weak forms of resistance to institutional pressures. Such identifications may add understanding to the specific lending strategies that are developed in different circumstances. The study also contributed to closing the gap in banking literature through conducting research in the context of Myanmar, which was previously unexplored. In addition, it suggests areas needed to be improved for financial sector development in Myanmar.

DECLARATION

I declare that this thesis is my own unaided work. It is being submitted for the degree of Doctor of Philosophy at the University of Bedfordshire

It has not been submitted before for any degree or examination in any other university.

Name of Candidate: Sandar Win Signature:

Date:

For my Mum and Dad

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Last but not least, I am really grateful to my parents and my brother who are always there to provide supports in every possible ways that they could.

List of Acronyms and Abbreviations

ATM	Automated Teller Machine
ASEAN	Association of Southeast Asian Nations
BCBS	Basel Committee on Banking Supervision
BoE	Bank of England
BSPP	Burma Socialist Programme Party
CAQDAS	Computer Assisted Qualitative Data Analysis Software
CAMPARI	Character, Ability to repay, Margin of Finance, Purpose, Amount, Repayment terms, and Insurance
CBM	Central Bank of Myanmar
EU	European Union
FDIC	Federal Deposit Insurance Corporation
FDI	Foreign Direct Investment
FEC	Foreign Exchange Certificate
FIRB	Foundation Internal Ratings-Based approach
FSA	Financial Service Authority
GDP	Gross Domestic Product

IMF	International Monetary Fund
IRB	Internal Rating Based Approach
MSEC	Myanmar Securities Exchange Commission
N/A	Not Applicable
NIS	New Institutional Sociology
ODA	Official Development Assistance
SME	Small and Medium Sized Enterprises
SPDC	State Peace and Development Council
UK	United Kingdom
US	United States
USDP	Union Solidarity and Development Party

Table of Contents

ACKNOWLEDGEMENTS v

List of Acronyms and Abbreviations vi

1 Chapter One: Introduction 1

1.1 Introduction 1

1.2 Background to the Research 2

1.3 Myanmar's Population Dynamics and Social Context 5

1.3.1 Policy Dynamics and Political Structure 7

1.3.2 Economic Conditions 9

1.3.3 Financial and Bank8ing Regulations in Myanmar 11

1.3.4 Comparison of Banking Regulatory Structure in Myanmar and the United Kingdom 13

1.3.5 Overview of the Performance of Lending Institutions in Myanmar 17

1.4 Research Aims and Objectives 18

1.5 Research Questions 18

1.6 Research Assumptions and Limitations 19

1.7 Significance of the Research 19

1.8 Contribution of this Research 20

1.9 A Review of Subsequent Chapters 20

2 Chapter Two: Literature Review 23

2.1 Introduction 23

2.2 Decision Making in Banks' Business Financing (Ex-Ante) 23

2.2.1 Different Premium Options 28

2.2.2 Rationality in Decision-Making 32

2.2.3 Limitations in Bank Lending Literature 36

2.3 Perspectives 37

2.3.1 Classical Decision Theory 38

2.3.2 Psychological Decision Theory 40

2.3.3 Social-psychological Judgement and Attitude Theory (Sociocognitive) .. 43

2.3.4 Sociological Theories and Policy Analysis 44

2.4 Analytical Domains 46

2.4.1 Micro Level 46

2.4.2 Meso Level 47

2.4.3 Macro Level 49

2.5 Rationale for the Study of Interplays between Banks and Institutions Using Sociological Approach 49
2.6 Conclusions 59
3 Chapter Three: Development of Theoretical Framework 62
3.1 Introduction 62
3.2 New Institutional Theory 62
3.2.1 'Institutions' Defined 63
3.2.2 Assumptions of New Institutional Theory 64
3.2.3 Differences between Institutional and Task Environment 70
3.2.4 Institutional Pressures 74
3.2.5 Banks' Strategic Responses to Institutional Pressures 83
3.3 Developed Theoretical Framework 88
3.4 Banks' Lending Practices 89
3.5 Conclusions 90
4 Chapter Four: Research Methodology 92
4.1 Introduction 92
4.2 Research Paradigms 93
4.2.1 Positivism 94
4.2.2 Critical Theory 94
4.2.3 Participatory Paradigm 95
4.2.4 Interpretivist and Constructivist or Naturalistic 96
4.2.5 Critical Realism / Postpositivism 96
4.2.6 The Paradigm for this Research 98
4.3 Exploratory and Qualitative Research 101
4.4 Criteria for Research Quality 105
4.4.1 Reliability 107
4.4.2 Validity 108
4.5 Data Generation 110
4.5.1 Written Documents and Data 111
4.5.2 Interview 112
4.5.3 Data Collection Process 119
4.6 Data Analysis: Interviews and Documents 131
4.6.1 Categorical and Thematic Analysis 132
4.6.2 Data Coding 135

4.6.3 Hybrid Coding 147
4.7 Ethics 151
4.8 Conclusions 153
5 Chapter Five: Overview of Myanmar's Banking Sector 154
5.1 Introduction 154
5.2 Country: Myanmar 154
5.2.1 Myanmar's Banking Industry 156
5.2.2 Assessment of Myanmar Banks' Performance in Lending (Secondary Data Analysis) 161
5.2.3 Assessment of Myanmar Banks' Loan Allocations 162
5.2.4 Assessment of Lending Efficiency 166
5.3 Conclusions 184
6 Chapter Six: Field Work 186
6.1 Introduction 186
6.2 Institutional Theory 188
6.2.1 Coercive Pressures 189
6.2.2 Normative 196
6.2.3 Mimetic Pressures 209
6.2.4 Summary 210
6.3 Institutional Strategies 210
6.3.1 Strategic Responses to Coercive Pressures: CBM 212
6.3.2 Strategic Responses to Coercive Pressures: Social-political Institutions 229
6.3.3 Strategic Responses to Coercive Pressures exerted from Other Sources 231
6.3.4 Strategic Responses to Normative Pressures: Corporate Culture (Indirect Influence of Coercive Pressure) 232
6.3.5 Strategic Responses to Normative Pressures: Developmental Governmental Guidelines 238
6.3.6 Strategic Responses to Normative Pressures: External Verifiers 241
6.3.7 Summary 242
6.4 Pressures to Gain Legitimacy 242
6.4.1 Coercive Pressures 243
6.4.2 Normative Pressures 247
6.5 Conclusions 249
7 Chapter Seven: Discussions 250
7.1 Introduction 250

7.2 Discussions of Oliver's Propositions in Relation to the Findings 251
7.2.1 Cause 254
7.2.2 Constituents 255
7.2.3 Content 256
7.2.4 Control 258
7.2.5 Context 258
7.3 Cyclical Effects of Institutional Pressures 259
7.3.1 Coercive Pressures 260
7.3.2 Normative Pressures 268
7.3.3 Mimetic Pressures 272
7.4 Implications 274
7.4.1 Theoretical Implications 274
7.4.2 Practical Implications 288
7.4.3 Methodological Implications 303
7.5 Conclusions 305
8 Chapter Eight: Conclusions 306
8.1 Introduction 306
8.2 Reflections on the Research 306
8.2.1 Research Questions 306
8.2.2 Role of Theories in Achieving the Aim and Objectives of the Research 307
8.2.3 Research Methodology and Methods 307
8.2.4 Research Process 308
8.3 Lessons Learned 310
8.4 Key Contributions to Knowledge 311
8.4.1 Contribution to Theory 311
8.4.2 Contributions to Banking Literature 314
8.4.3 Contribution to Practice 314
8.5 Future Research 315
8.5.1 To Test the Propositions 315
8.5.2 Comparison between Pre and Post Reforms or International Comparison 316
8.5.3 Triangulations with Further Studies from Businesses Perspective 316
References 318
Appendices 334

Appendix 1: Interview Request Letter 335
Appendix 2: Translated Interview Questions Guide 337
Appendix 3: NVIVO Coding Process Explained 349
Appendix 4: Daily Report Forms Provided by Central Bank of Myanmar to Private Banks 357
Appendix 5: Monthly Report Forms Provided by Central Bank of Myanmar to Private Banks 359
Appendix 6: Examples of Interview Notes 363

List of Tables

Table 1-1: Chronology of Developments in the Political Economy of Myanmar 8
Table 1-2: Ratios Measuring Performance of Lending Organisations (figures calculated based on World Bank Data) 17
Table 2-1: A Summary of Research Papers and their Methods and Aims of Studies..... 52
Table 3-1: Three Pillars of Institutions (Scott (2009)) 66
Table 3-2: Classification of Overlapping Factors to Respective Environments 72
Table 3-3: Strategic Responses to Institutional Pressures (Oliver, 1991, Etherington and Richardson, 1994) 85
Table 4-1: Definitions of Research Themes 113
Table 4-2: Interview Questions and their Related Research Questions 115
Table 4-3: Interview Subject Population 123
Table 4-4: Abbreviations and Type of Banks 125
Table 4-5: Characteristics of Interview Subject Population 126
Table 4-6: Actions taken by the Researcher to Avoid Limitations Arising from Thematic Analysis 134
Table 4-7: The Coding Structure (Institutional Pressures and Strategic Responses)..... 138
Table 4-8: Coding Structure (Heterogeneities in Banks) 139
Table 4-9: Coding Definitions and Principles for Concepts Derived from Institutional Pressures 141
Table 4-10: Coding Definitions and Principles for Concepts Derived from Oliver's Strategic Responses to Institutional Pressures 142
Table 4-11: Emerging Concepts and Coding Principles 144
Table 4-12: Example of Analysis – Interview Research..... 145
Table 4-13: Research Ethics 152
Table 5-1: Provisions for Bad and Doubtful Loans 167
Table 5-2: Classification of Non-performing Loans and Advances 168
Table 5-3: Additional Measures taken by CBM for Financial Stability 172
Table 5-4: Largest Bond Purchasers and their Shares in Total Bond Outstanding as at June 30, 2009 (Source: Win (2010)) 177
Table 5-5: Percentages of Security-wise Loans over the Period of 2007-2011 180
Table 7-1: Summary of the Definitions of Determinants of Institutional Pressures..... 252
Table 7-2: Summary of the Determinants of Institutional Pressures (Environmental Analysis using Oliver's Hypotheses) 253

Table 7-1: Deposits and Lending Interest Rates from the Period of 2000 to 2011 (Source: World Bank Database) 261
Table 7-2: Presence of Coding in Regard to Importance of Qualitative and Quantitative Factors in Lending Decisions 264
Table 7-3: Sources of Norms and Values in Government, Private and Semi-Government Banks 271
Table 7-4: Effects of New Entries of Competitors on Banks with Different Ownership Structures 273
Table 7-5: Presence of Coding in Heterogenetic Legitimacy across Banks 279
Table 7-6: Contingent Factors in Strategic Responses to Institutional Pressures 283
Table 7-7: Weak Forms of Strategic Responses to Coercive and Normative Pressures Identified from Interviewed Banks 287
Table 7-8: Strong Forms of Strategic Responses to Coercive and Normative Pressures Identified from Interviewed Banks 287

List of Figures

Figure 1-1: Myanmar's GDP Growth Rate and Inflation Rate from 1988 to 2010 (based on World Bank Data) 10
Figure 1-2: UK Banking Regulatory Framework 14
Figure 1-3: Hierarchy of Banking Regulation in Myanmar (adapted from CBM's Website: www.cbm.gov.mm) 16
Figure 2-1: A Summary of Banks' Lending Decision Process (Developed by the Author) 27
Figure 2-2: Risk enhancing impact of guarantees (Bessis, 2002) 29
Figure 2-3: Graphical Presentation of Literature Gaps 36
Figure 3-1: Examples of Institutions in Banking Industry 63
Figure 3-2: Environments and Outcomes 65
Figure 3-3: Relationships between Sources and Institutional Pressures according to Institutional Theory 67
Figure 3-4: Diagram of Oliver's (1991) Divergent Perspectives to Institutional Theory . 69
Figure 3-5: Overlap between Institutional and Task Environments (Developed by Author) 70
Figure 3-6: Proposed Theoretical Model for Factors Influencing Banks' Lending Practices 89
Figure 4-1: Elements of the Research Covered in this Chapter 92
Figure 4-2: Perspectives from Two Different Competing Paradigms (Developed by Author) 100
Figure 4-3: Summary of Data Collection Process 120
Figure 4-4: Coding Process 136
Figure 4-5: Example of Manual Coding of the Interview Transcripts by the Researcher 148
Figure 4-6: Example of the Visual Representation of the process by which Coercive Pressures affect Banks' Lending Process 149
Figure 4-7: Example of the Visual Representation of the process by which Coercive Pressures affect Banks' Lending Process 150
Figure 5-1: Timeline for Myanmar's Political and Economic Systems (P: Political System, E: Economic System) 155
Figure 5-2: Total Loans Provided by Banks (in Kyats) over the Period of 2007-2011 .. 163
Figure 5-3: Sectorial-wise Loans (in Kyats) over the Period of 2007-2011 164

Figure 5-4: Changes in Loans Provided to Different Sectors over the Period of 2008-2011 164
Figure 5-5: Sectorial-wise Loans in Percentages to Total Loans over the Period of 2007-2011 165
Figure 5-6: Sectorial-wise Contribution in Percentage of GDP over the Period of 2006-2010 166
Figure 5-7: Sub-standard, Doubtful and Bad-debts over the Period of 2007-2011 168
Figure 5-8: Sub-standard, Doubtful and Bad-debts in Percentages of Non-performing Loans over the Period of 2007-2011 169
Figure 5-9: Percentages of Non-performing Loans to Total Loans 169
Figure 5-10: Comparison of Total Loans and Net Loans 170
Figure 5-11: Comparison of the Percentages of Domestic Credit Provided by Banking Sector to GDP 171
Figure 5-12: Comparisons of Non-performing Loans (NPL) to Total Loans (TL) in Singapore and Myanmar 171
Figure 5-13: Excess Reserves of Semi-Government Banks for March, 2010 174
Figure 5-14: Excess Reserves of Private Banks for March, 2010 174
Figure 5-15: Liquidity Ratios of Semi-Government Banks for March, 2010 175
Figure 5-16: Liquidity Ratios of Private Banks for March, 2010 176
Figure 5-17: Capital Adequacy Ratios of Semi-Government Banks for March, 2010 ... 178
Figure 5-18: Capital Adequacy Ratios of Private Banks for March, 2010 179
Figure 5-19: Percentages of Security-wise Loans (except Land and Buildings) over the Period of 2007-2011 181
Figure 5-20: Loan to Deposit Ratios of Semi-Government Banks for March, 2010 181
Figure 5-21: Loan to Deposit Ratios of Private Banks for March, 2010 182
Figure 5-22: Profit before Tax of the Banking Industry over the Period of 2007-2011 . 182
Figure 5-23: Deposits (Saving Deposits, Saving Certificates and Time Deposits) in State-owned and Private-owned banks 184
Figure 6-1: Summary of the Findings 187
Figure 6-2: Graphical Presentation of RQ1 188
Figure 6-3: Graphical Presentation of the Outline of this Section 211
Figure 6-4: Indirect influence of the political and regulatory institutions on corporate culture 232
Figure 7-1: Process of Regulatory Influences on Banks' Lending Process 263
Figure 7-2: Consequences of Coercive Pressures and Lack of Legal Laws 267

Figure 7-3: Process of Normative Influences on Banks' Lending 270
Figure 7-4: Consequences of Normative Pressures 272
Figure 7-5: Banks' Opinions on the Pressures Exerted from CBM 275
Figure 7-6: Banks' Strategic Responses to Institutional Pressures 282
Figure 7-7: Graphical Presentations of the Decision Making Patterns at Different Levels: Institutional, Industrial and Organisational Levels 285
Figure 8-1: Summary of Findings with the Framework of Institutionalisation Process of Banks' Lending Practices in the Context of Myanmar 311
Figure 8-2: Future Research Directions 317

Chapter One: Introduction

1.1 Introduction

This section provides background on the research topic: banks' lending behaviour in Myanmar, the need for research, and outlines the thesis structure. The research problem is identified through indicating gaps in literature. Rationales for the research approach and the contributions that this research has made to the knowledge are summarised followed by the organisation of thesis. Therefore, this chapter has three parts.

The first section focuses on the developments and problems of the Myanmar's banking sector. It reviews some of the unresolved issues in banks' lending found in existing literature. The second section provides a general introduction to the geographical and demographic characteristics of Myanmar, and a discussion of its economic policies, conditions and developments over the years. In addition, an overview of the Myanmar's banking system is also provided along with a comparison between the UK's banking regulatory structure in order to explain how Myanmar's financial regulatory structure is different from those countries with developed financial system and why Myanmar provides such an important context. This will enable the reader to understand the research findings within its context.

The final section explains the importance of integrating interdisciplinary approach of studying banks' lending behaviour along with the literature gaps being addressed in this thesis. After setting out the research aims and objectives, an overview of the thesis developments is provided.

1.2 Background to the Research

This study investigates the effects of institutional environment on commercial banks' lending behaviour towards businesses in Myanmar. The availability of financing for businesses has received considerable attention from researchers because of its role in economic development and contribution to employment growth. Moreover, banks can have serious impacts on different types of stakeholders, for example, through their credit and lending activities, investment policies, industrial portfolio engagement, asset management, etc. Businesses in Myanmar are not exempt from this situation. Many of the studies which have been done on business financings are based on Europe and other well-established economies. Only theoretical research has been found regarding the business financing in Myanmar. Such research focus only on the difficulties faced by businesses' access to finance and little attention has been given to what constrained the banks from lending to these businesses.

The importance of studying banks' lending in Myanmar has become more important as the country is currently undergoing a new phase of financial liberalisation process after the change in government in 2010. This is an important process because it can establish an environment which can efficiently mobilise financial resources. In most of the countries, in which established capital markets exist, financial resource mobilisations take place through banks as well as via listings in stock exchanges. Although Myanmar liberalised its financial system in 1990, the existing capital market is yet to mature; thus, official mobilisation of financial resources can only be done through the banking system. The importance of Myanmar's financial and economic growth depended on the banking sector as it is the only source of financial intermediation. With no capital market, businesses have only banks and private lenders to depend on for financing their businesses.

In Myanmar, there are significantly fewer banks compared to other developed and developing countries. There are 19 private banks and four state banks. Among those 19 private banks, which four of them have started their business only in late 2010. From this figure, it seems that financial system is dominated only by banks. However, public's trust in commercial banks is low due to the banking crisis that took place in the country in 2003. Therefore, the commercial banks in Myanmar have limited inflow of deposits and are operating under tight regulatory requirements. Research in Myanmar context has been vague and no empirical study has been undertaken to study what extent the commercial banks' lending behaviour in this kind of environment differed from other liberalised nations. In addition, no study has been found that investigates the effects of banks' lending behaviour in Myanmar. It is, therefore, timely to study Myanmar financial system as it is undergoing major changes due to democratisation in the political environment in the recent years.

This study has significant importance as it captures banks' lending behaviour in different institutional environments. Thus, changes in different institutional effects on banks and their responses in the light of these changes are investigated. In addition, sensitivity of banks' lending behaviour in response to changes in institutional environment is explored. Previous studies in this area have been based on statistical models using ex-post data with the assumption that decision making of banks and within banks are 'rational'. Especially in banking, where risk is inevitable, the degree to which the environment has an effect on banks' risk assessments need to be analysed as the changes in banks' lending in different countries can be seen in Lane and Quack (2002). Though research has been done on banks' lending in different countries, the results cannot be replicated to Myanmar. This is because of the degree and the forms of financing businesses through banks vary significantly between countries as a reflection of different institutional environment in which banks and firms engage in financial transactions.

Moreover, economists are becoming more interested in the issue of rules enforcement in different institutional environments. Since the best institutions from better-performing economies cannot be replicated by other economies due to the fact that they have different types of rules: formal rules such as laws and contract, and informal rules such as norms and customs (Aoki, 2001). In underdeveloped and developing countries, culture and informal rules play significant roles in decision making. Therefore, it requires a framework to study how decisions are made up of to conform to institutional pressures in order to get the best results for policy implementations in these countries. At the same time, traditional macroeconomic studies have viewed banks as passive channels affected by the changes in monetary policy. On the other hand, bank level studies focus on banks' responses to institutional pressures. However, the interplays between banks and institutions have yet to be explored.

In banking, risk is not an "objective" fact that can be assessed through statistical models. Rather, it is created by bankers themselves when they make decision in relation to observed risk structures and risk behaviour of potential business partners in their environment while contemplating their profitability and legitimacy of their existence in the institutional environment. Therefore, in this research, neo-institutional social theory emphasising the social embeddedness of perception and handling of risks has been integrated to understand the bank lending practices in Myanmar.

In this study, the country is described as 'Myanmar' instead of 'Burma'. This is due to the fact that the country has diverse ethnic groups and the main ethic group is called 'Bamar' which has the same pronunciation as 'Burma'. Thus, by using the term 'Myanmar', I will be able to avoid any confusion that might arise in interpretations of the data. This will also make it easier to refer back to the laws which are named after the country's legal name 'Myanmar'. Moreover, it is the official name accepted by United Nations. Its use in this thesis does not represent a political statement of any kind. The word 'Myanma'

should not be treated as an error as it is used as a possessive noun of 'Myanmar' in Burmese language. This word is used by many of the institutions in Myanmar to associate with the citizens of the country.

1.3 Myanmar's Population Dynamics and Social Context

Myanmar is the largest country in Southeast Asia sharing international borders with China, Laos, Thailand, and Bangladesh. It has a population of 58.8 million where over four million people reside in the country's largest city and the most important commercial centre, Yangon. It is used to be the capital city of Myanmar until 2006. Mandalay is the second largest city and also the royal capital before British colonial rule in 1885. While Yangon is the economic hub of the country's lower region, Mandalay serves as the hub for upper Myanmar. The third largest city, Naypyidaw, is a newly established administrative capital which is still under construction. Therefore, most of the business activities take place in these three major cities. Due to the political suppressions and economic underdevelopment, Myanmar's migration rate is estimated to be -0.3/1000 in 2012 (CIA, 2012).

Geographically, Myanmar is located in the monsoon region of Asia. Its climate and natural resources encourage development in agriculture, therefore, more than 70 percent of the processing and manufacturing sector is agro-based and exports are dominated by agricultural products. It also has rich natural resources such as precious stones including sapphires, pearls, jades and rubies. Hence, the government's income is also generated through annual sales. Other natural resources include textiles, wood products, natural gas, oil, metals and construction materials. Despite of it having abundance in natural resources, Myanmar's economic underdevelopment has always been referred to as having 'resource curse' (Pick and Thein, 2010).

Myanmar has ethnic diversities stemming from eight major ethnic groups namely Kachin, Kayar, Kayin, Chin, Bamar, Mon, Rakhine and Shan. Therefore, there are different languages spoken across the country. According to Goddard (2005), there are approximately over one hundred languages. Having been administered as a province of British India under the colonial rule, English has always been taught as second language starting since kindergarten. Until the end of middle school, students have to take Burmese, English, Maths, Geography, History and Science. All these textbooks except English are taught in Burmese. From high school to university level courses, all the textbooks except Burmese are replaced with English language textbooks. In the universities, English is said to be the medium of instruction. However, the deliveries of lectures in Burmese are common. Hence, Burmese people tend to be able to communicate in written English better than in listening and spoken. It is also spoken by 65% of the population as their mother tongue and the rest as their second language as they have their own ethnic languages or dialects (Lewis, 2009b). Hence, the interviews were conducted in Burmese and translated into English in this study. Due to the significant priority given to education in Myanmar society and a strong tradition of monastic education, the literacy rate is high. According to 2002 UNESCO data, the literacy rate is 91.8 percent. However, there is high unemployment in the country among young people. This is contributed by the existence of limited number of businesses.

Many religions are practised in Myanmar without obstruction. This can be seen from how Buddhist Pagodas, Mosques, Hindu temples and Churches are located in the centre of Yangon city. Religion also plays a significant role in Myanmar communities. Theravada Buddhism is practised by 89 percent of the population. Therefore, Buddhist beliefs also play a significant role in conducting businesses and community engagements which in turn are embedded in the national culture.

1.3.1 Policy Dynamics and Political Structure

Before mentioning the country's economic condition, one should also describe the political systems as the economic policies tend to change with changes in political structure. This in turn affects the country's economic conditions. The political systems of the country after the colonial rule can be divided into four different periods namely[1]:

1. Parliamentary democracy period (1948-1962)
2. Socialist period under military rule (1962-1988)
3. Market-oriented period under military rule (1988 -2010)
4. Democratic period under the constitution set by the State Peace and Development Council (SPDC) in 2003 (2010 to the present)

Thein (2004) describes the economic system of Myanmar in relation to the political systems in the country. It is necessary to state this because as authoritarian style of leadership has been prevalent in the country from 1948 until 2010. It can be argued that the parliamentary democracy period (1948 – 1958) would give democratic governance. However, it should also be noted that the parliament would meet only for two months out of the entire year, causing the Prime Minister to exercise his authority the rest of the year. Afterwards, the military government's presence exists till now though parliamentary style discipline flourishing democratic reform is promised by the Union Solidarity and Development Party (USDP), a military backed institution in November 2010 election. Thus, the country's economic system is similar to control-oriented command economy.

[1] Only three periods are mention in THEIN, M. 2004. *Economic development of Myanmar*, Institute of Southeast Asian Studies. However, the fourth period is added by the researcher as it is a recent reform.

Table 1-1: Chronology of Developments in the Political Economy of Myanmar

	Period	Political System	Economic System
1.	1948-1962 (1958-1960)	Parliamentary democracy Military caretaker government	A mix of nationalism, socialism, and market system Same as above
2.	March 1962- 1988 (1962-1974) (1974-1988)	Socialist, military Revolutionary Council of the military Burmese way to socialism under military rule; one-party system (BSPP)	Nationalisation and Burmanisation Command economy, self-reliance isolation Same as above except for re-acceptance of Official Development Assistance (ODA) loans and partial reforms
3.	September 1988-2010	Military rule by State Peace and Development Council (SPDC)	Transition towards a market-oriented economy in the first half of the 1990s
4.	November 2010 – to the present	Discipline-flourishing democracy by military backed Union Solidarity and Development Party (USDP)	Reforms toward liberal democracy and mixed economy

Table 1-1 shows Myanmar's political and economic systems from 1948 (independence from the colonial British rule) to the present. Immediately after 1948, Myanmar was under parliamentary governance and market systems until military takeover in 1962. Since then, military involvements can be seen in every economic and political system. In 2010, it underwent a dramatic change to political reform towards liberal democracy with mixed economic system; however, state involvement is still present. Consequently, hierarchical national culture is created over the years affecting the banks' regulatory

environment. The military government in Myanmar maintains a firm, but increasingly contested hold on power and is responsible for the declination in economic and political conditions.

In 2010, Myanmar has taken a big step towards democratisation and changing policies towards economic liberalisation with the hope of sanctions being imposed on Myanmar by the West to be lifted. As a result of these changes, sanctions by the Australian government have been removed and the United States has softened its sanctions on Myanmar. Therefore, it is expected that there will be significant improvements in the country's economic conditions. One of the immediate results that the country's new government encountered is that it has been awarded the Chair of the 2014 summit of the Associations of the Southeast Asian Nations (ASEAN). It includes countries from Southeast Asia countries, namely Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. It has the collective goal of creating as integrated economic area by 2015. It is seen as a move by the government to gain domestic and international legitimacy followed by the elections in November, 2010.

1.3.2 Economic Conditions

The country is one of the poorest nations in the South East Asian region. Gross Domestic Product (GDP) has increased steadily from 1998 to 2010; however, the inflation rate has always been larger than the GDP growth rate (see Figure 1-1). In addition, the reliability of the inflation data should not be taken on its face value due to the doubtful reliability of the information given by the government. Many of the organisations and banks perceive that the real inflation rates are larger than the official data. Myanmar's high inflation rate has affected not only household expenditures but also the development of many businesses. It is mainly caused by printing money to cover fiscal deficits. Economic

sanctions from western nations based on the lack of democracy and human rights infringement, also contribute to the country's poor economic growth.

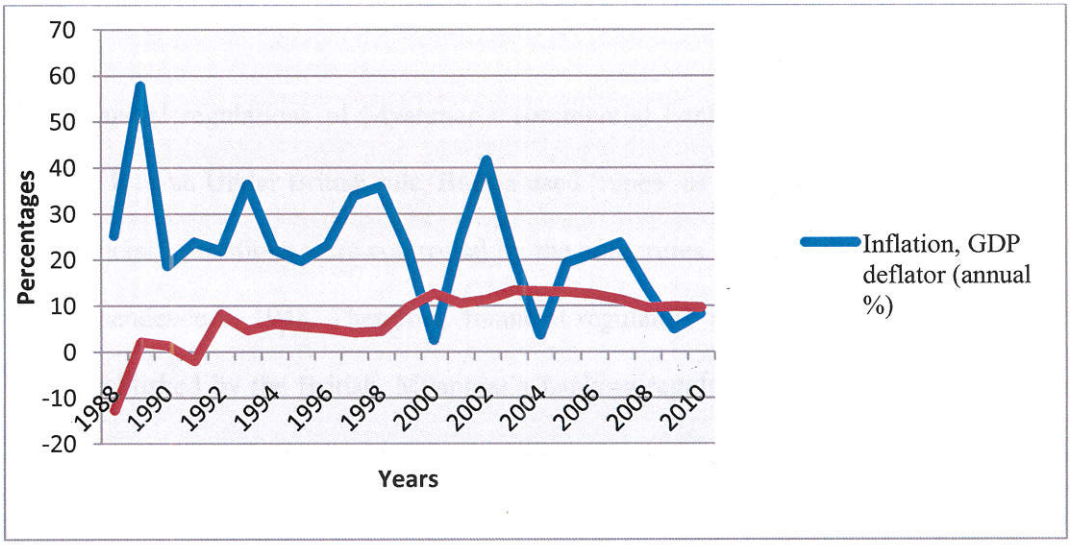

Figure 1-1: Myanmar's GDP Growth Rate and Inflation Rate from 1988 to 2010 (based on World Bank Data)

Since the adoption of the market-oriented policy in 1988, the foreign exchange regime has undergone many transformations. One of them is the official exchange rate being pegged to special drawing rights at 6.51 kyats per US dollar whereas the unofficial rates were significantly higher from it. They fluctuated from 752 to 1350 kyats from the period of 2007 to 2011. Another major change in foreign exchange regime was to control the foreign currency holdings by the Myanmar citizens. In February 1993, Foreign Exchange Certificates (FEC) was introduced. The government stated that one FEC dollar was the equivalent of one US dollar. Therefore, the country has exchange rates for two different dollars, one being US dollar and another for FEC. These dual exchange rates allow the government to take more control over the diversion of funds and revenues and inflation. However, on the first of April, 2012, the Central Bank of Myanmar (CBM) announced to float the currency and is currently floating around 800 kyats per US dollar. On 5 June,

2012, CBM announced that it has issued Money Changer Licenses for 17 out of 19 private banks and there are 62 money changer counters across the country.

1.3.3 Financial and Banking Regulations in Myanmar

The financial regulations of Myanmar's commercial banks can be traced back to the colonial Burma. Under British rule, Burma used 'rupee' as the currency of exchange and the financial institutions were controlled by the authorities in Calcutta and Delhi prior to its independence in 1948. Therefore, financial regulatory laws are derived from that of laws established by the British. Myanmar's banking regulations have been criticised by international communities and academics for their inefficiencies in facilitating financial resource mobilisation and growing volume of trade and economic activities.

A market-oriented economic system has been adopted in Myanmar since 1988 following a change of government. From 1980s to the present, the Myanmar's financial sector has undergone major changes. The first change took place in 1988, along with the change of government and implementation of market-oriented economic system. New banking laws were passed in 1990. They are the Central Bank of Myanmar Law, the Financial Institutions Law, and the Myanma Agriculture and Development Law. Under these laws, 21 private banks and 47 representative offices of foreign banks were established in 1992. Hence, with every change in the political system, Myanmar's financial sector faces new policies.

Currently, there are 23 local banks consisting of four state banks and 19 private banks in which four banks received license to operate in 2010. However, there is no foreign bank operating in the country except their representative offices. A new Foreign Direct Investment (FDI) law has been passed by the Myanmar's parliament in 2012. Its main purpose is to promote economic liberalisation. It states that foreigners are no longer required to have local partner to start a business in the country. They are able to lease

land legally but Myanmar citizens must constitute at least 25% of the firm's skilled workforce, and with subsequent training up to 50 – 75%. Thus, along with the implementation of FDI law, it is expected that foreign banks will start their operations in Myanmar in the near future.

Myanmar's financial system was not much affected by 1997 Asian Financial Crisis and 2008 global financial meltdown due to its underdeveloped capital market. However, this does not mean it has never experienced any financial crisis. It has experienced bank runs a number of times due to the people's lack of trust in the banks. Unlike banks in other countries, Myanmar banks were unable to provide money transfer worldwide due to the economic sanctions by European Union (EU) and the United States (US) until November 2012. Once the sanctions were lifted by US and EU, some banks in Myanmar have collaborated with Western Union to facilitate money transfers.

The non-bank financial institutions consist of a state-owned insurance enterprise, a state-owned small loan enterprise, a private owned leasing company and one securities company. The Myanmar Securities Exchange Centre (MSEC) was launched in April, 1996, a joint venture between the Ministry of Finance and Revenue and the Japanese Daiwa Institute of Research. However, there are only two listed companies, namely the Forest Products Joint Venture Corporation and the Myanmar Citizens Bank Ltd. Thus, there is no mature capital market for banks and other private sectors for financing. As a result, the development of banking sector has become significantly important for the mobilisation and allocation of financial resources and thus, for economic development.

The banks in the country are operated under CBM which is governed by the CBM law enacted in 1990. The bank operates with relative independence and to exercise regulatory and supervisory authority over a wide range of financial institutions, both state and privately owned (Win, 2010). According to the CBM law (Section 57) and the Financial

Institutions of Myanmar Law (Section 48), the bank acts as an adviser to the government on economic matters; issuance of currency and securities; acting as a banker to the government as well as financial institutions; formulating and implementing monetary policy; managing the international reserves of the State; controlling foreign exchange transactions; and licensing, inspecting, supervising and regulating financial institutions. Similar to other central banks around the world, CBM also acts as a lender of last resort.

However, this function of the CBM has been criticised by Turnell (2003) stating that the bank had not provided liquidity support to banks during the financial crisis triggered by the collapse of a series of informal finance companies in early 2003 in Myanmar. These companies were primarily trading companies but took deposits from the public with promises of giving high returns. These companies were involved in highly speculating investments. In contrary, Win (2010) states that CBM intervened as a lender of last resort and provided adequate liquidity assistance to the banks. Nevertheless, there were "runs" on banks, therefore, CBM restricted withdrawals and recalled loans from borrowers which affected people's trust on domestic banks and contributed to financial instability. It can be seen from decline in deposits in private banks since 2003. At that time there were only 4 state-owned banks and 20 private banks (Tin, 2000). This will be further explained in chapter six.

1.3.4 Comparison of Banking Regulatory Structure in Myanmar and the United Kingdom

This section is provided to readers to give a clear idea on how the structure of Myanmar's banking system is different from those of developed economies. Here, the structure of UK's banking system is used as a comparison because it is considered as a model for modern banking systems.

In the wake of global financial crisis, UK's financial sector has made a major reform. The following diagram (Figure 1-2) describes the UK's banking regulatory framework after that reform. It shows different regulatory institutions and their roles. Unlike, CBM, Bank of England (BoE) operates independently. It is the model on which most modern central banks have been based. However, similar to CBM, it is one of the eight banks in the UK to issue banknotes. BoE has the control over macro-prudential regulations and oversight of micro-prudential regulation. Previous Financial Service Authority (FSA), responsible for the financial services industry, is replaced with a new prudential regulator which is part of the BoE. An independent financial policy committee is also created as for BoE to consider threats to economic and financial stability. These regulations are for financial stability. In addition, a new Consumer Protection and Markets Authority is also established to regulate the conduct of all financial institutions that provide services to customers, so as to protect consumers' interests. There is also another newly created institution to oversee the structure of banking in the UK to reduce risk and increasing competition. It is called an Independent Commission on the Banking Industry. Before the financial crisis, BoE and FSA are separate entities; however, after the reform, the previous functions of FSA are now under BoE.

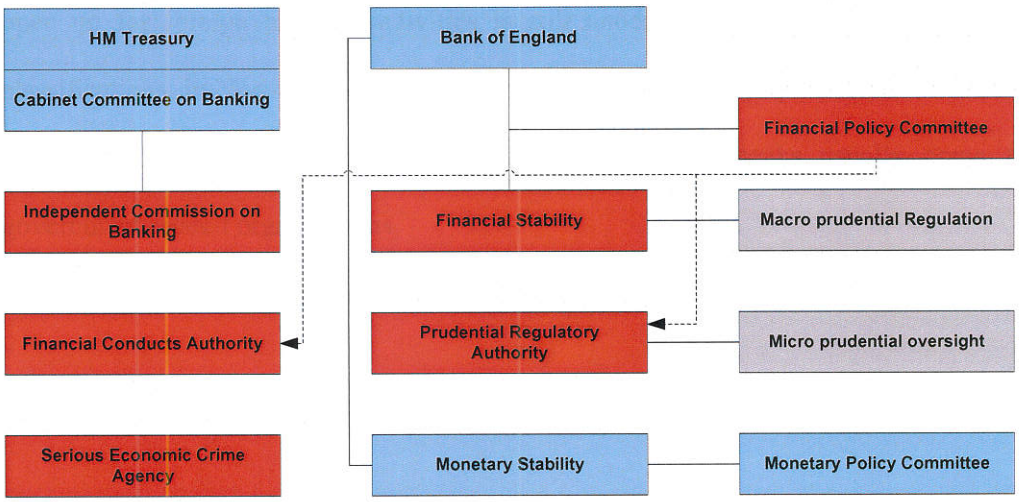

Figure 1-2: UK Banking Regulatory Framework

While the UK's banking regulatory framework is comprised of different institutions having their respective responsibilities and duties to maintain financial stability, CBM is solely responsible for all these functions (see Figure 1-3). They are either directly or indirectly controlled by the government. In Myanmar, types of financial institutions can be mainly divided into banks and building societies. These institutions offer range of financial services including travel insurance, underwriting shares, credit and debit cards. In Myanmar, banks only engage in traditional banking activities such as taking deposits, remittance services and making loans. Banks are not allowed to provide insurance and credit cards. Recently, the government has allowed banks to provide debit cards and Automated Teller Machines (ATM) machines in Myanmar. E-banking services have also been introduced by some of the large banks in the country. In addition, ahead of the Southeast Asian Games in Myanmar in 2013, CBM working with VISA and MASTER cards to provide international banking services. Prior to that, none of these services were available, at least widely to the general public.

The ownership structures of Myanmar banks can be divided into are three types, namely 'State-owned' or 'Government-owned', 'Private' and 'Semi-government' banks. There is no foreign bank currently operating its banking activities in the country. The decision to open up for foreign banking activities is still under considerations. Despite of these classifications, in Myanmar, clear cut distinction of the ownership structure of the banks cannot be made. This is because the funding of these banks usually come from government related organisations.

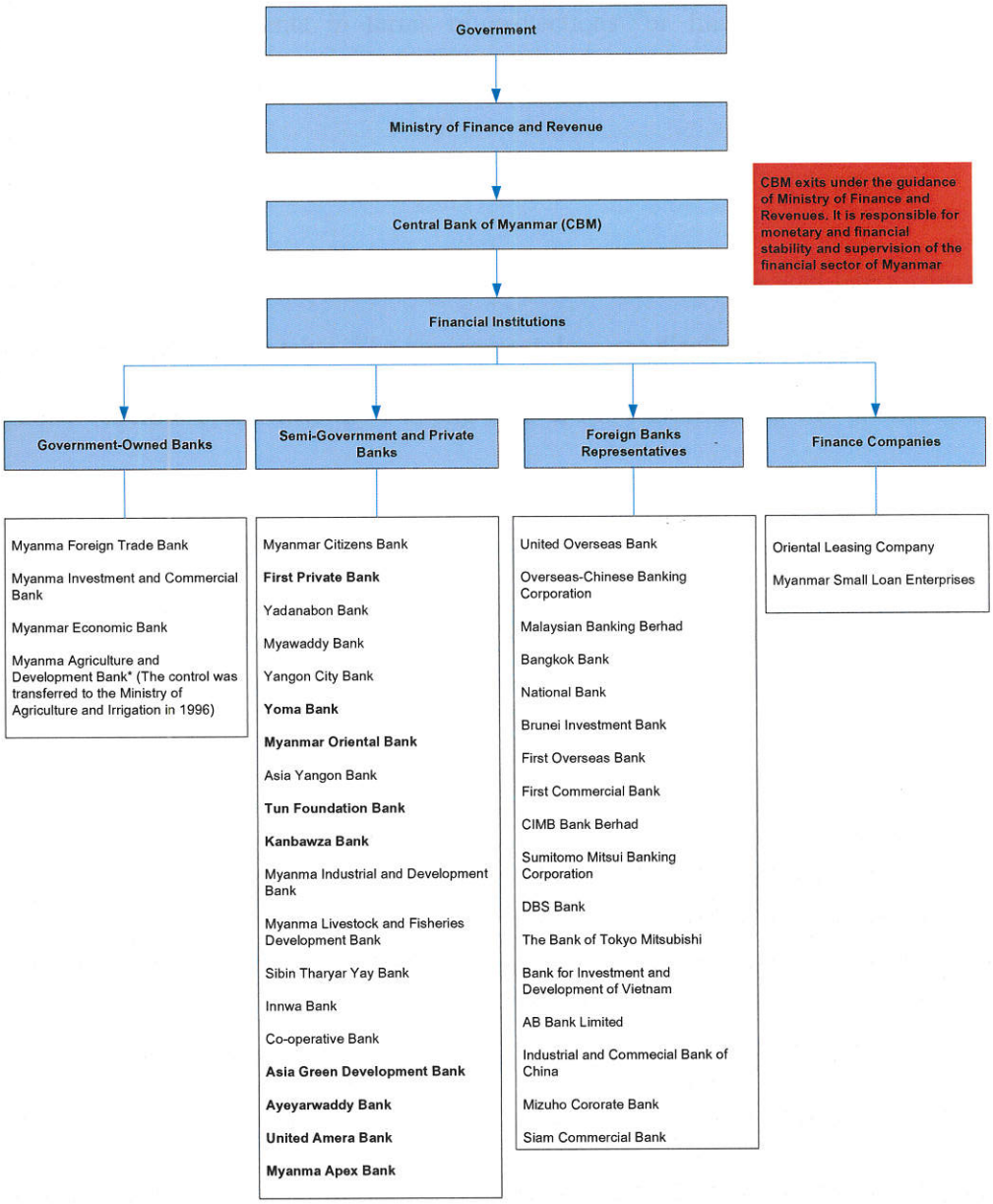

Figure 1-3: Hierarchy of Banking Regulation in Myanmar (adapted from CBM's Website: www.cbm.gov.mm)

Compared to other developed economies, Myanmar's banking system has a very simple regulatory structure due to its underdeveloped capital market. The financial regulations are done by the government and are regulated in the interest of themselves. Therefore, despite of the CBM Law stating that the central bank operates with some independence, in reality, it is not. In summary, Myanmar's financial system is still very underdeveloped

and needs improvements in terms of protections for financial crises and efficient mobilisation of funds through credit allocations.

1.3.5 Overview of the Performance of Lending Institutions in Myanmar

To test the success of the banking sectors, three indicators of financial intermediation are shown in the following table. The government does not disclose all the information to the public. Therefore, most of the banking data are not available to the public. Even the World Bank database can only provide banking data until 2004. These ratios are calculated as proposed by Ėnchzajaa (2006) to analyse the success and efficiency of the banking sector.

Table 1-2: Ratios Measuring Performance of Lending Organisations (figures calculated based on World Bank Data)

Ratios in %	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
M2/GDP	27.0	21.7	24.1	26.7	26.9	24.2	24.3	25.9	27.2	25.6	23.5	22.7	26.7	27.5	24.0	20.2	20.1
Cash Outside Banks/M2	20.6	17.1	20.1	23.3	23.5	20.4	20.8	20.8	21.2	19.7	17.5	15.8	18.2	19.8	17.9	15.4	16.4
Total Loans/GDP	69.0	30.9	32.8	44.6	41.0	34.5	32.9	32.5	33.6	30.7	28.2	26.8	32.1	33.9	28.7	22.1	24.8

The first ratio (M2/GDP) demonstrates the financial deepening of the financial system. Compared to the figure in 1988, when Myanmar adopted market-oriented economic system, there is no increment; instead, it went down to 20.1% in 2004. Thus, Myanmar's financial system has lower liquidity. This indicates that there are lesser opportunities exist for continued growth. The ratio of cash outside banks to M2 ratio measures the level of confidence amongst the general public. From the figure given above, the public's confidence in the banking sector was constantly decreased since 1996. The year of worst performance, 2003, coincides with the collapse of the Myanmar Mayflower Bank and the Asia Wealth Bank. The crisis originated with the collapse of informal finance enterprises through the second half of 2002 (Turnell, 2003). The ratio of total loans to GDP also decreased since 1988. This indicates that the demand for loan has not been adequately

met through official financial intermediation. This section will be elaborated further in chapter six.

1.4 Research Aims and Objectives

Research into banks' lending behaviour has mainly focused on the ex-post calibration of different factors and bank lending. However, institutional theory argues that besides being financially successful, organisations also need legitimacy to survive. Owing to the tension ofinstitutional pressures, banks structure their risk handling strategies. The main aim of this paper is to gain better understanding of institutional pressures on banks' lending behaviour in Myanmar. The objectives of the research are:

1) To develop a framework to explore institutional pressures in banks' lending
2) To identify the main components of institutional pressures that help shape banks' lending strategies
3) To gain better understanding on how banks shape their lending strategies to respond to these institutional pressures
4) To understand the factors that help shape banks' conformities and variations in banks' lending strategies
5) To understand the results of banks' conformities and strategic responses to institutional pressures

1.5 Research Questions

Within this study, the following research questions are addressed in this study:

RQ1: How are banks' lending practices influenced and what sources influence them?

RQ2: How do banks respond to these pressures?

RQ3: What are the influencing factors?

RQ4: How do their chosen strategies affect the end outcome, legitimacy or efficiency?

1.6 Research Assumptions and Limitations

The main assumption of this study is that banks' lending practices or risk handling strategies are dependent upon pressures exerted on the banks, either from institutional or task environments. The scope of this study is limited into the management aspect of lending policies and decision making in determining whether to accept or reject loan applications; and how these are influenced by the institutional and task elements. Hence, it would be more comprehensive if the findings in relation to banks' lending practices in other countries in the same region such as in Singapore were able to be compared with those of Myanmar's. As this research has undertaken qualitative research, the findings cannot be generalisable. However, as the researcher was able to interview more than half of the higher level management of banks in Myanmar, it has some quality of representativeness.

1.7 Significance of the Research

The idea of undertaking this research in the area of banks' lending practices in Myanmar occurred to the researcher for three main reasons. Firstly, the research has identified the issue of financial sector development as a result of the country's changes in political environment in Myanmar, especially with the regard to assess to finance from the banks by the businesses have not been given any attention. Therefore, there is a need to do research not only from the borrowers' but also from the banks' perspectives in order to make successful policies for economic development.

Secondly, the researcher aims to address the issues of applying successful practices from other countries onto Myanmar by international organisations such as World Bank and International Monetary Funds (IMF). It aims to provide the need for customised policies

as the country has different institutional context and developments over the years which can have different results if those successful practices are applied without considering other institutional factors.

Thirdly, it aims to develop a framework that study banks' lending behaviour by engaging institutional and bank level factors. Through this, the research will give a clear picture on conformity and non-conformity to institutional pressures by banks. This study also aim to provide useful guidelines for planners and decision makers in designing programmes for financial sector development, to encourage banks' lending to businesses and overall economic development.

1.8 Contribution of this Research

There are three main expected contributions of this research:

Firstly, this thesis develops a framework for studying banks' lending practices by integrating two theories to derive a comprehensive framework to study interplay between banks and institutions.

Secondly, a clear structured of research methodology is developed for the basis of studying phenomenon in Myanmar, i.e. by recognising culture that has been embedded in people's mental attitudes.

Thirdly, the findings have practical implications not only for financial regulators and banks but also for other stakeholders and sustainable community developments.

1.9 A Review of Subsequent Chapters

The thesis is structured in eight chapters. In this section, a brief description of the organisation of the thesis has been given. As explained earlier, this chapter has identified the gaps in the literature and have suggested reasons why research on the banks' lending

behaviour should be studied using different approaches. It has also provided the brief research context for the reader to relate the research findings and become familiar with its respective context. The main body of the thesis contains six chapters, organised and structured as follows:

Chapter 2 provides conceptual background of the role of risks and risk perceptions in decision making in banking sector. The purpose of this chapter is to generate an understanding and appreciation of how risk perceptions can shape banks' lending decisions theoretically and practically. The, the literatures on banks' lending behaviour are divided into their perspectives, such as psychological and classical decision theoretical perspectives, and analytical domains such as macro and micro levels, to clearly present the existence of literature gaps from different angles. As the perspectives of literature are concerned with the rationality in decision making, discussions on the issues of rationality will be discussed which also provides justification for the interdisciplinary approach in this study.

Chapter 3 provides the development of theoretical framework. It presents some of the potential theories and limitations. Then, justifications for the combination of institutional theory and Oliver's strategic responses to institutional pressures to study banks' lending behaviour are given. A framework is developed further by relating empirical banking literature and sociological theories.

Chapter 4 provides the research methodology employed in the research. It begins with general discussions on different paradigms and the competing paradigms for institutional theory. Then, the justifications for the qualitative approach are given. This is followed by a description of the choice and rationale of the research design, the sampling choice and the data collection procedure along with the process of data analysis. This includes the means by which research validity and reliability are achieved. For instance, the

interviewees' descriptions, the interview process, the formation of coding principles and the use of NVIVO data analysis software are given in this chapter.

Chapter 5 presents the findings from secondary data. It is based on cross-sectional data to make the readers become familiar with the current situation of Myanmar's financial sector, with the main focus on the banks' lending activities.

Chapter 6 presents the findings from primary data. It is based on interviews with representatives of the banks and they are presented with the concepts derived from those two theories that formed the framework.

Chapter 7 is the discussion chapter. It discusses the implications for theories and practice especially in diverse policy developments. These are based on the analyses assisted by NVIVO; therefore, the diagrams and tables developed from the software are used to give clear descriptions of the studies.

Chapter 8 is the final chapter where the summary of the findings are presented emphasising on the most important theoretical and empirical findings. The chapter concludes with some observed limitations of the investigation and suggestions for future research.

Chapter Two: Literature Review

2.1 Introduction

It has been identified in the previous chapter that the main objective of this study is to explore the pressures exerted on bankers' lending decision process. In order to study this process, the existing literature on risk perceptions, judgements, instruments used for risk management, and gaps identified in this chapter. Essentially, the aim of this chapter is to critically review the prior banks' lending literature to explore the research gaps. The chapter begins with focus on the definitions of risks and uncertainties in banking, a general model of lending decision process, determinants of imposing high and low premiums, the non-existence of rationality in banks' lending decisions followed by presenting literature gaps. Since there are many papers on banks' lending behaviour from different points of views, these scholarly works are be divided into two categories according to their perspectives, where lending decisions are viewed as either rationalised or institutionalised; and analytical domains of studies, where different levels of factors affecting lending decisions are researched upon.

2.2 Decision Making in Banks' Business Financing (Ex-Ante)

Though the term 'decision making' sounds simple, many authors have defined it in different ways. In our everyday lives, it is not considered as a process but as an end product, 'decision' or 'judgement'. The process of arriving to a decision is hardly considered as important. However, in academic literature, it is considered as an intellectual process of differentiating among alternatives (Harrison, 1996) and choosing

the best alternative (Eilon, 1969). Schwarber (1967) identifies three critical aspects of the decision making activity. They are identified as objectives, alternatives and risks. These are followed in a sequential manner by the decision makers. In general, decision making involves the following steps (1) diagnosing the problem that necessitates a decision, (2) identifying the criteria or attributes relevant to the solution of the problem and (3) evaluating, choosing and implementing the feasible alternatives (Mahmood, 2000). Unlike the literature, decision making in banks' lending starts with an opportunity, not with a problem. Due to the nature and function of the business, borrowers are the opportunities that come along with risk and return where banks have to choose the borrowers with high credibility and repayment ability. However, determining these risks is difficult due to the difficulty in determining borrowers' credibility arising from asymmetry of information. Thus, banks' financing decision making is similar to strategic decision making process because allocation of limited resources to the right people or businesses requires making appropriate judgments through contemplating risk and return. Therefore, in banks' lending, the risk perceptions of those involved in lending decisions are more important, thereby creating a different sequence of decision making.

According to Deshmukh et al. (1983), lending process is a sequence of credit decisions taken by an intermediary, banks, facing uncertainty of credibility of borrowers as to both the quantity and quality of loan demand. It involves four main steps (see Figure 2-1): (1) application for a loan; (2) credit evaluation; (3) loan review and (4) repayment performance. Firstly, application for a loan is initiated by the borrower due to the perceived need to add external debt financing. Once the bank receive the application, it will look through the borrower's credit worthiness by evaluating five key elements, character (integrity), capacity (sufficient cash flow to service the obligation), capital (net worth, financial statement analysis), collateral (assets to secure the debt) and conditions (of the borrower and the overall economy).

When the borrower submits loan application, this would not reflect the credit worthiness as borrowers do not always provide all the information required, and even if they do, not all information will be correct. Asymmetry of information is created when the borrower does not provide all the required information. This asymmetry concerns the lender whenever the borrower can use this information profitably at the lender's expense (Bebczuk, 2003).

While evaluating the borrower's ability for repayment, lenders will have to bear in mind not to cause adverse selection (ex-ante) and prevent moral hazard (ex-post). The former is occurred as a result of the existence of asymmetry of information between borrower and lender where banks do not know borrower's repayment ability, thus lead to Stiglitz and Weiss' (1981) adverse selection problem. Consequently, this could cause borrowers to engage in opportunistic behaviour which in turn gives rise to moral hazard. Therefore, banks must ensure that credit is allocated to those who have the capabilities and willingness to repay the loan and interest, and deny those who are not. In doing so, banks are engaged in evaluating riskiness of borrowers.

As risk assessment is recognised as a methodical process of quantitatively or qualitatively describing risk (Daneshkhah, 2004), assessment of borrowers' credibility can be determined through hard and soft information. Most banks use a mnemonic as a check list and the most prevalent being CAMPRI (Character, Ability, Margin, Purpose, Amount, Repayment, and Insurance) (Rouse, 2004). This framework is used primarily in the United Kingdom while '5Cs' of analysis (Character, Capacity, Capital, Collateral, and Condition), is mainly used in the United States (Davies and Kearns, 1992).

Character has been identified as a primary factor in both of the analysis frameworks. It is defined as a reputation of the borrower in terms of borrower's credit track record, years of managerial experience, financial management, expertise and the age of the firm are the

variables used to determine character (Orser and Foster, 1994, Lyn C, 2000). Bryant (2001) claims that character evaluation is a subjective estimate of the probability that a borrower would honour the obligations. He also states that high moral standards are indicators that borrower would make a good effort in repaying the indebtedness. Gustafson (1989) argues that character is not ethical or moral sense but is a variable that has significant economic importance. For large businesses, not only the borrower himself but also the shareholders' reputations and the firm's relationships with its stakeholders such as customers and suppliers are also required to be investigated as these are useful information sources for banks to investigate character of loan applicants and their related parties.

Capacity, the second 'C' of the lending assessment, analyses the borrower's 'ability to repay' which coincides with 'A' in CAMPARI framework where it looks at the earning potential and cash flow of the business to determine borrower's repayment ability. For instance, loan officers will ask for a detailed budget or business plan from small business star-up borrowers or historical and projected financial statements from those with existing businesses to demonstrate that they can afford the repayments (Chapman, 2009).

Capital, on the other hand measures the financial strength of the borrower. The capital of the borrower is determined by the firm's financial position using risk ratios including liquidity and solvency measures (Gustafson, 1989). The fourth 'C', collateral is a form of security or insurance against any unforeseen future situations or developments from borrowers. It has two main uses, liquidation purpose and to assess the borrowers' commitments in the business (Robbie et al., 1983). This will be further explained in the next section. The last 'C', the condition, refers to the environment which the borrower's business is situated. The assessment includes both controllable and uncontrollable factors. In other words, it is the assessment of borrower's vulnerabilities to the changes in the regulatory, economic, political and technological conditions (Sinkey, 1983).

After evaluating the credit risk of the borrower, loan officer will make a decision whether to grant the loan or reject depending on their acceptance level of risks. If the risk exceeds the acceptance level, banks simply reject the application. Otherwise, loan officer would determine the level of risk and set premiums accordingly.

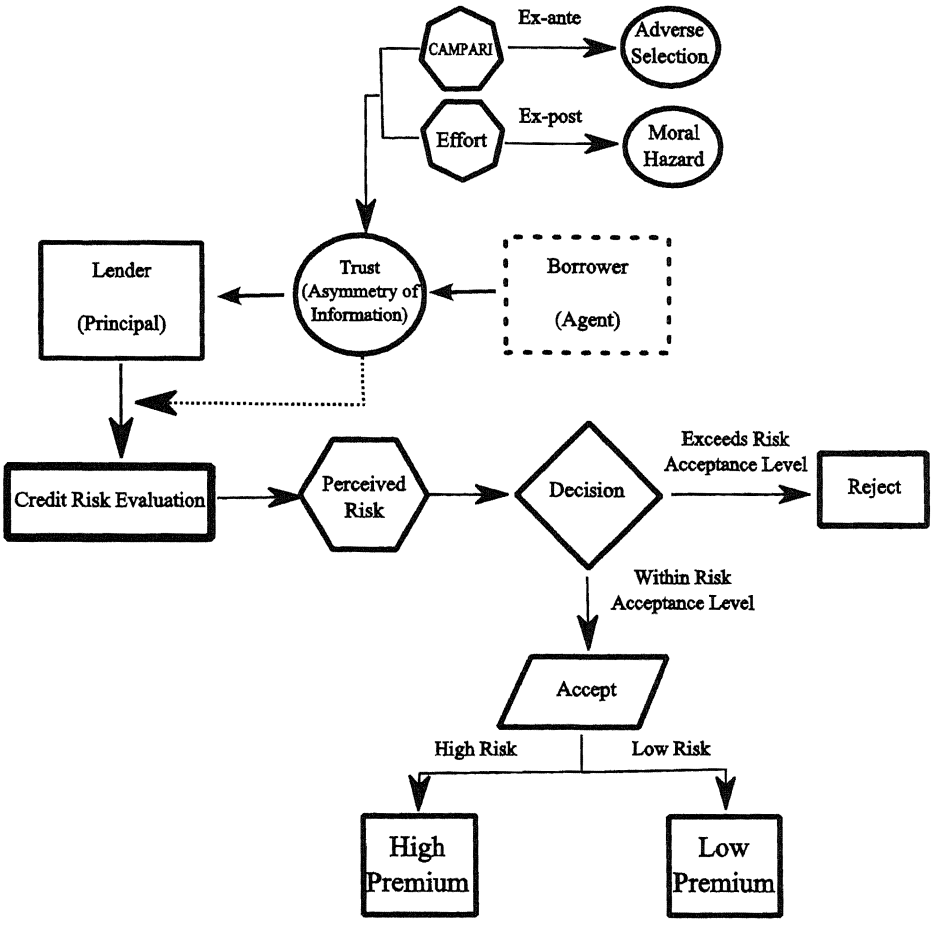

Figure 2-1: A Summary of Banks' Lending Decision Process (Developed by the Author)

There is extensive research on decision making. They can be differentiated into different analytical domains and perspectives on studying diverse influences because the scope is wide. Thus, review on decision making research is challenging. Nevertheless, in this

paper, only those literature that is related to banks' financing decisions will be discussed in the following sections.

2.2.1 Different Premium Options

In finance and banking, the term 'premium' is associated with risk. It is the primary component of any risk-return model (Lipară et al., 2011). They are positively correlated; in other words, the higher the risks, the higher the premium would be. Once again, it could be seen as another role of risk perceptions. Finance and banking literatures have mentioned premiums a number of times and the methodologies used to calculate them. However, what they are and their uses in lending decisions are not mentioned in detail. In general, the concept behind premium is that the greater the perceived risk, the larger the premium that the borrower will be imposed. We can never know the real risk due to principal (banks) and agent (borrowers) relationship. Hence, risk perceptions are more or less similar to expected return by the banks or the loan decision makers who have to take into account of adverse selection, moral hazard and asymmetry of information. These come with costs which are termed agency costs (Berger and Udell, 1995) including monitoring costs, resulting from the activities of the agent (borrower) must be monitored to ensure that he or she conforms to the contract; bonding costs, incurred by the agent to guarantee that he or she will not take certain actions that would harm the principal (banker) and/or to ensure that the principal is compensated if the agent does take such actions; and residual loss, results from a divergence of decisions made by the borrowers and those that would maximise returns to the banks (Landström, 1992). Hence, bankers require greater return to cover these costs. Risk premiums can take place in many forms.

In order to explain this phenomenon, one needs to understand what causes the perceived risk to be higher. It was mentioned in the previous section that banks assess the borrowers depending on 5Cs framework. In addition to this, there are also other factors that

influence risk premium such as the banks' risk aversion, if the banks are more risk averse, the risk premium will decrease and vice versa; the economic risk, if the economy is predictable with interest rates and growth with low volatility, the premium will decrease; the quality of information, if the companies are listed, their quantity of information available to the banks also increase which consequently reduce the risk premium; the liquidity of the capital market; the risk of a catastrophe event which can significantly decrease the wealth of banks; the behavioural or irrational component of the banks; the illusion of money, which is caused by the expected inflation rate; and the banks' asset portfolio[2] (Lipară et al., 2011). Other factors apart from the quality of information arise from a country's economic context. However, when making lending decisions, these risks are reflected on borrowers through shorter loan maturities, variable and/or interest rates, size of the loans and higher collateral requirements. These are categorised as externalisation of risks to the borrowers (Lane and Quack, 2002), while guarantor requirements are transfer of risks to third parties (Bessis, 2002). Among them, risk premium is reflected most on interest rates and collateral requirements.

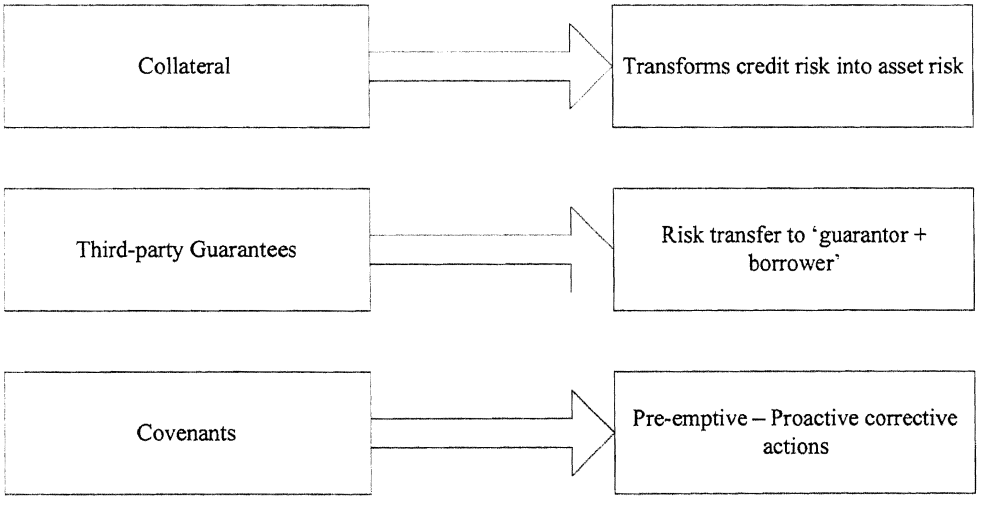

Figure 2-2: Risk enhancing impact of guarantees (Bessis, 2002)

[2] These factors are presented in the literature related to financial instruments; however, these are presented in relation to the banking context.

Banks often perceive that raising interest rates above the market level will allow them to achieve optimality (de Meza and Webb, 1987). However, this has been seen as a problem by Stiglitz and Weiss (1981) who stated that that adjusting interest rates does not reduce adverse selection or moral hazard but attracts risky borrowers or alters their behaviour to adopt risky projects. Imposing variable interest rates rather than fixed interest rates also allows banks to transfer the risk of interest rate fluctuations onto the borrowers. Alternatively, banks may reduce the loan size or increase collateral requirements, use of loan covenants, and/or enforcing additional conditions onto the loan contracts.

Collaterals are another common tool used by the borrowers to obtain loans. The greater the quality of the collaterals, the easier it is for banks to approve loan applications. There are two different types of collaterals which are business collaterals, pledging assets owned by the firms and personal collaterals, pledging of assets outside the firm (Berger and Frame, 2005). Accepting the former is termed as internalisation of risks as banks absorb some risks in case of business failure, while the latter as externalisation of risks because banks hope to recover their losses through claiming on the borrowers' personal ownerships. They are used to signal borrowers' commitments to the success of business ventures because the owners are unlikely to undertake riskier projects or to reduce their efforts unless they are willing to lose their collaterals. Hence, theoretically, it resolves the problems of adverse selection and moral hazard (Besankor and Thakor, 1987) and prevent credit rationing (Stiglitz and Weiss, 1981).

Another tool is the covenant which limits the actions of the borrowers. Its intention is to control and prevent borrowers from engaging activities that conflict with lenders' interests. This causes borrowers to consult with the banks to obtain permission if they want to change their strategies or operational activities. Some authors have found that these control rights reduce the risk of adverse selections and moral hazard (Clifford and Warner, 1979, Berlin and Mester, 1997). An other tool that is associated with loan

covenant is loan maturity. It is well accepted by the bankers that the longer the loan maturity is, the greater the risk that the borrowers will alter their risk behaviours. Therefore, banks tend to give shorter term loans where negotiations with the borrowers, evaluation and monitoring occur frequently.

These high interest rates and collateral requirements causing high lending and borrowing costs can be overcome through relationship lending through using soft information. Basically, banks' lending methodologies can be differentiated into two types, namely, transactional and relationship lending. Transactional lending involves financial statement lending, small business credit scoring, asset-based lending, factoring and trade credit. The nature of the information used in this type of lending is mostly "hard" information (e.g. credit scores from external credit bureaus) (Berger and Udell, 2004). When these types of hard information are not available or not feasible and cost effectively solved by the aforementioned technologies, relationship lending, where primary information used by lenders is based on "soft" information (Rajan, 1992), is employed. Thus, information availability determines the types of technologies used by the banks in accessing credit worthiness of the borrowers.

Therefore, under many circumstances, opaque borrowers have an alternative to relationship lending (Berger and Udell, 2004). In this regard, credit managers or relationship lenders collect information beyond which is available in the firm's financial statements and the information that is readily available to the public, including information on the entrepreneur's local community/business environment, the entrepreneur and the Small and Medium Sized Enterprises' (SMEs) interactions with that environment and other factors that lender might consider relevant. This is not only applicable to relationship but also to transactional lending in which "soft" information plays a complementary role. During the interpretation of this information, objectivity is

not easy to achieve as humans are subject to the vagaries of fear, greed, pride of opinion, and all the other excitable states that prevent rational judgement (Pring, 1993).

The uses of these tools are again differentiated into 'going concern' or 'gone concern' approaches. However, many banks advocated that they employ both approaches when making lending decisions (Robbie et al., 1983). For instance, in the going concern approach, collaterals are assessed on the basis of borrowers' commitment to the business while the gone concern approach view them as a tool for liquidation in case of the borrowers' default. In these two approaches, the former is more concerned with the relationship between borrowers and lenders while the latter assumes the past activities to reflect on the future.

These risks result from the high cost of intensive monitoring to avoid the moral hazard of borrowers when the banks do not have all the required information to judge borrowers' repayment ability. First-time borrowers, small businesses and start-ups are more prone to higher premium charges on them by the banks. In summary, other factors apart from borrowers' repayment ability, the contextual conditions such as underdeveloped capital markets where banks cannot externalise risks through credit derivatives, high inflation and catastrophic events (e.g. financial crisis) can induce higher premiums. Thus, when studying the banks' lending behaviour, we cannot isolate factors but to study their interconnectedness in influencing or shaping their lending practices.

2.2.2 Rationality in Decision-Making

The term rationality is defined by Bazerman and Messick (1998, p. 478) as

> '...the decision-making process that is logically expected to deal to the optimal result given an accurate assessment of the decision-makers' values and risk preferences'

In other words, decision makers who are rational will arrive at objective and logical judgements. In fact, the costs associated with gathering complete information is high or impossible, making rational decision is implausible. Moreover, rational decisions tend to be made based on unrealistic assumptions (Robbins and Coulter, 2011):

- the problem is clear and unambiguous where decision makers have complete information;
- the decision is single, well-defined goal that the decision maker is trying to achieve and there is no conflict over the goal;
- the decision maker can identify relevant criteria, lists all the viable alternatives, and is aware of all possible consequences of each alternative;
- the decision maker can obtain full information about the criteria and alternatives because it is assumed to that there are no time or cost constraints; and
- the rational decision maker always chooses the alternative that will yield the maximum payoff

In lending, as mentioned before, lending decision is not about solving a problem but contemplating whether to take an opportunity for return to realise in the future from investment. These opportunities come with uncertainties and it is impossible for banks to have complete information. Similarly, the full information about the consequences, in this case, borrowers engaging in risky activities cannot be obtained. The final comment is impossible if we take into account of the influence of institutions in decision making. Herne (2011) finds some evidence showing that individual choices disappear when individuals have an opportunity to learn and correct their choices to be more in line with the standard utility model depending on the situation where decision making takes place, thereby concluding that different institutional structure affect such differing preferences. Similarly, the studies also find that the standard utility model works well in certain types of competitive markets but not in other institutional environments. These are the results

of individuals' limited cognitive capabilities, information processing capacity, time and cost constraints on decision makers to obtain complete information. In other words, optimal 'risk perception' is not attainable. Thus, the term 'bounded rationality' is created by Simon (1976, p.82) stating that

> 'The human being striving for rationality and restricted within the limits of his knowledge has developed some working procedures that partially overcome these difficulties. These procedures consist in assuming that he can isolate from the rest of the world a closed system containing a limited number of variables and a limited range of consequences'

He further asserts that due to these limitations, individuals construct simplified models of the real world in order to deal with it. He refers to it as picking a course of action that is satisfactory, 'satisficing' or 'good enough' under circumstances. Applying his views on banks' lending context, collaterals, interest rates, for example, are used by lenders to simplify complicated issues of deciding whether to approve or reject loan applications. In developed countries, the over reliance on credit rating agencies is also the result of banks' attempts to simplify complex processes. Similar to Herne (2011), Simon (1976) also states that it is impossible for individuals to analyse logically and dispassionately to make the best possible decision as they are constrained within the realm of cultural, organisational or their own values.

Banking is one of the most regulated industries in the world, among various regulatory measures, the regulation of bank capital is crucial due to the important roles it plays in banks' soundness and risk taking behaviour and its influence on the competitiveness of banks (Zhu, 2008). Therefore, different types of regulatory frameworks have been introduced for internationally active banks to follow. For instance, at the international level, in 1988, Basel Committee on Banking Supervision (BCBS) formed Basel Accord I.

According to this, bank loans of different risk have same weight which allows banks to swap low risk assets with high risk ones. In other words, this Basel Accord allows regulatory arbitrage (Zhu, 2008). Then, in 2004, Basel II which is a revised version of the former one was released. It allows banks to compute the capital requirements for managing credit risks, standardised approach, Foundation Internal Ratings-Based approach (FIRB) and Internal Ratings-Based approach (IRB). In order to use the latter approaches, it needs approvals from regulatory authorities and is costly; therefore, banks opt to use the former approach which relies on external rating agencies. In this case, the effects of institutions and environments on credit risk measurements come from two directions, one from external rating agencies and another from the banks themselves. During the times of economic and financial crises, these rating agencies downgrade credit risks including sovereign debts. At the same time, banks become more cautious in lending which creates two directional influences in changing banks' credit risks perceptions.

In addition, the effects of those institutional constraints cannot be ignored if we take into account of countries that have implemented Basel Accords and those that have not. Even those countries that have implemented the same Basel Accord also tend to have different approaches in their lending practices, for instance UK and Germany (Lane and Quack, 2001). If the decision makings was rational, we would not have financial crises and banks would not be accused of irresponsible lending. Therefore, the statement which states that rationality exists becomes questionable.

Similar to other decision making research papers, researchers of banking and finance communities are interested in understanding why people make the choices and judgments that they do, for example, the reasons for inflicting higher interest rates on one group of borrowers and lower interest on the another, and why banks refuse to lend to small businesses. Though banks' credit risk assessment process has been discussed in the

previous section, the question of whether decision makers are rational, that is what makes to choose one alternative over another still remains unanswered.

2.2.3 Limitations in Bank Lending Literature

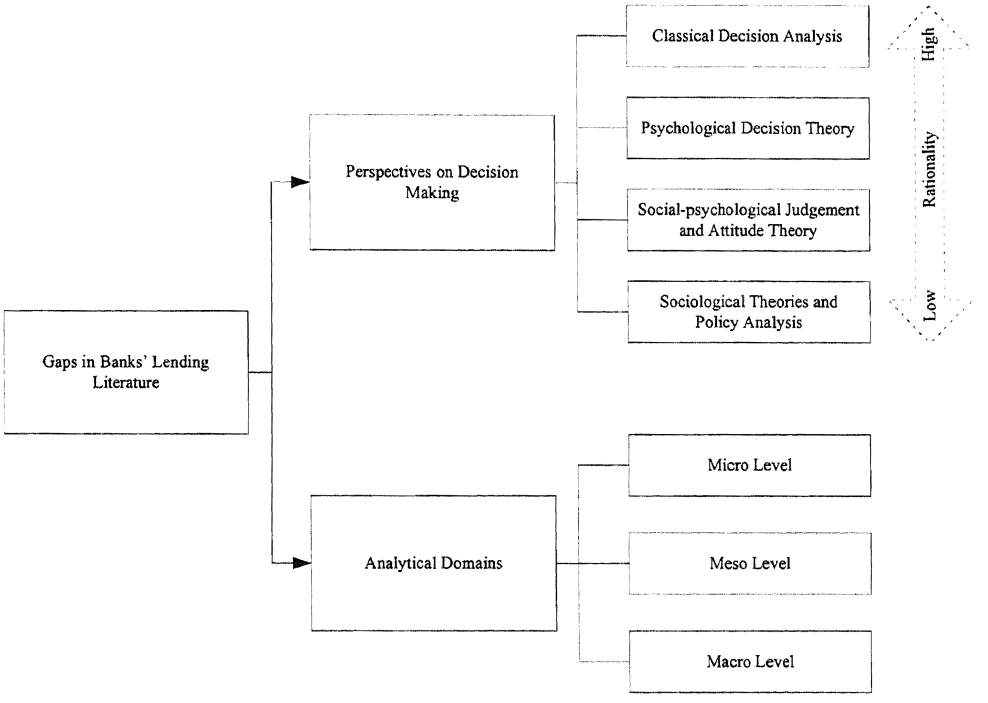

Figure 2-3: Graphical Presentation of Literature Gaps

Due to the vast amount of literature in this area and based on the theoretical underpinnings, literature gaps are divided into two, one based on the perspectives used by the researchers to study risk perceptions and banks' lending, i.e. where lending decisions are viewed as either rationalised or institutionalised; and analytical domains, where different levels of factors affecting lending decisions are researched upon. The summary can be presented as in Figure 2-3.

2.3 Perspectives

Research on risk in decision making has been dominated by statistical estimations which are often inadequate to alleviate people's attitudes toward risks (Renn and Swaton, 1984). Such methodologies are designed to be objective. However, they lack interpretability of results as they do not take into account of public perceptions and social effects. Since risk is not an "objective" fact in the business environment (Luhmann, 1993), studying risk perceptions by banks using probability calculus will not allow us to understand the factors influencing banks' lending behaviour (Lane and Quack, 2001). In general, this type of methodology fails to include bounded rationality and subjective rationality in various estimations process. Thompson (1967) supports this fact by stating that uncertainties and risk pose major challenges to rationality which is manifested itself in an individual's perception. To bridge this gap, many researchers have taken different perspectives such as sociological and psychological to study risk in different areas of research such as in foreign direct investment (Francis et al., 2009), information systems (Tsohou et al., 1993), organisational communication (Lammers and Barbour, 2006) and so on. According to Renn and Swaton (1984), these perspectives of risk in decision making are divided into four categories:

1) **Classical Decision Analysis** – focuses on rationality of decision making process and what motivational and cognitive biases are incorporated to optimise our own judgement.
2) **Psychological Decision Theory** – emphasises individuals' processes of information about risk and logical structure in arriving at an overall judgement.
3) **Social-psychological Judgement and Attitude Theory** – concentrates on the interaction between social values and personal judgement.
4) **Sociological Theories and Policy Analysis** – investigates the social goals, values, or motives that drive persons and social groups to come to final judgement.

2.3.1 Classical Decision Theory

Classical decision theory assumes that individuals are rational decision makers and optimise their judgements through formal axioms. Grandori (1984) asserts that classical decision theory incorporates an optimising model. In other words, these theories match the decision processes with a normative model of rational reasoning thereby maximising utility of individuals or groups (Renn and Swaton, 1984). Oliveira (2007) used the term 'normative' or 'rational' decision theories to describe this process. In rational decision making models, a number of possible alternatives from different scenarios are analysed by decision makers before making a final choice which would have the highest probability of outcome in the best expected scenario (Oliveira, 2007). Therefore, most of the research papers using classical decision or normative theories seek to understand how decision makers solve problems through identifying different alternatives. Banks' decision making processes have been studied by economists emphasising 'markets with imperfect information', 'bounded rationality of decision-makers', 'moral hazard' and 'adverse selection' (Stiglitz and Weiss, 1981). Some of the economic theories that are used to employ rational decision making models are expected utility theory and game theory.

Economic theory, for example, limits its attention to goods, bonds and money as long as the institutionalisation of saving and investment is confined to the monetary system (Gurley and Shaw, 1955). Its methodology involves rational decision making models that follow three steps process of (1) analysing the feasibility of the alternative, (2) pondering the desirability of alternative, and (3) choosing the best alternative by combining both desirability and feasibility (Rubinstein, 1998). Grandori (1984) states that in the economic theory of competitive decision, the payoff structure is considered as 'known' until a system of information, the price system is there to reflect the influence of all the relevant factors. In reality, competitive equilibrium cannot be achieved as said in economic theory

at least in banks' lending because of the use of non-interest item, for instance, collateral is used to offset asymmetry of information existing between the lender and borrower. Moreover, the lenders are unaware of the default probabilities of the borrowers, therefore, are unable to rank and choose the feasible and desirable alternatives. If the lenders were able to rank default probabilities of borrowers using their credit ratings and collaterals, nonetheless, the information is ex-ante and cannot determine the occurrence of moral hazard.

Economic theory has been used to study banks' lending by Stiglitz and Weiss (1981). Their study has been the most influential in banks' lending studies (de Meza and Webb, 1987, Besankor and Thakor, 1987, Su, 2010, Wette, 1983, Arnold and Rile, 2009). Their main idea is that in a competitive equilibrium, a loan market is characterised by credit rationing. In their model, banks categorise borrowers according to the expected return of projects. It shows that if a bank increases its interest rates charged on borrowers, it will suffer from adverse selection as only risky borrowers are willing to borrow at such high rate and cause moral hazard as they would choose riskier projects. Therefore, interest rate being charged on the borrower is sensitive to banks' risk ranking of them according to the repayment probabilities. They also examined the role of collaterals but only for risk-averse borrowers. This argument has been further extended by Wette (1983), however, only for risk-neutral borrowers and focuses on collateral requirement while interest rate is held fixed. Thus, in these types of models of studying banks' lending behaviour, borrowers' risk classes are first sorted. These assumptions and results led to conclude that lower quality borrowers could only be attracted at higher interest rates and collateral requirements. In these types of study, different decision makers would arrive at the same conclusion which in reality is not the case, because their experiences, intuitions and the institutional environments that they operate in also have significant influences on how they make judgments.

It is true that classical decision theory and rational decision making models are the most reliable and robust for describing and predicting aggregate-level outcomes that are the result of individual level decisions especially with the case in situations where monetary markets, where information regarding preferences are readily available (Cook et al., 1990). North (1990, p.11) also argues that classical theories are compatible with and have made major contributions to market analyses in developed countries but fail to characterise underdeveloped markets. As Myanmar's financial market falls into the latter category with information deficiency, these types of studies would be incompatible.

Other limitations also exist. Firstly, they assume that a clear distinction can be made between high and low risk borrowers. Secondly, almost all the research papers using classical decision theory to study decision making lack empirical testing of the underlying assumptions. Most importantly, the simplifying approach of classical decision theory does not capture the complexities of national and organisational environmental effects on the variations in risk assessments. Thus, classical decision theories with over emphasis on an individual level of analysis should be avoided.

2.3.2 Psychological Decision Theory

While economic literature on loan officers assumes that they are fully rational people, making decisions on the base of real, although information concerning the quality of applicants and their investment projects are not verifiable, psychological decision theory recognises the role of individuals in arriving judgements. Their personalities and perceptions, roles and organisations including their values and emotions can affect their decision making styles. Psychological decision theory gives emphasis on individual process of reasoning while incorporating the social desirability of perceived consequences and specific motivational factors in processing risk and uncertainties leading to the formation of an overall judgement (Renn and Swaton, 1984, McNamara

and Bromiley, 1997). Thus, embodiment of 'bounded rationality' concept into economic organisations has revolutionised economists from a fully rational model of decision making (Rakow, 2010). Game theory, prospect theory, attribution theory and theory of choice are the most common theoretical assumptions used in psychological decision-making models (Oliveira, 2007). In addition, researchers have also integrated psychological-based theories to study investors' behaviour in financial decision making process. In these types of behavioural finance models, traditional assumptions of individual rationality hypothesis are relaxed and agents' cognitive psychology is examined.

With the introduction of game theory in classical decision making models, psychological aspect of decision making can be seen. For instance, Barboza (2009) uses game theory approach to study micro lending with no physical collateral but social cost that acts as a quasi-collateral. In that study, the interplay of trust between lender, borrower and consignors is examined. In a regular market setting, using collateral to overcome asymmetry of information would be the dominant strategy and if the borrower is unable to provide such collaterals, the bank would refuse granting the loan. However, in microcredit setting, group-based individual lending contracts where if a person defaults, the other group members would need to pay off the balance owing to the lender, preventing moral hazard by the borrowers. Under this condition, joint liability among borrowers are created, therefore, only those borrowers which the group could trust would get loans, thereby decreasing asymmetry of information. In this study, strategic interaction among uncollateralised borrowers has been introduced into rational decision making model. However, it does not describe the complexity of different levels of political, social and cultural relationships. Another limitation in this study is that though it incorporates psychological thinking, it does not omit the assumptions of rational choice theory. Rational decision making models and economic applications of banks' lending

studies can also be seen using game theory which introduces strategic behaviour into rational decision theories. It focuses on interdependent decision making process (Shubik et al., 2002). The underlying assumption is that decision makers take into account of other people's solutions before choosing an alternative. Jeong and Joh (2010) study banks' risk taking behaviour using a game theory framework. They study Korean commercial banks using quarterly data on bank lending compiled by the Bank of Korea from 1993 to 2008. Their results show that big banks tend to take more risks by lending to high risk borrowers as they receive government protections through bail-outs and deposit insurances.

Researchers studying decision making from psychological perspectives are interested in the role of intuitions and emotions in arriving a judgement (Agor, 1984, Klein, 2003). Intuition is regarded as "vague feeling of knowing something without knowing exactly how or why" (Lipshitz and Shulimovitz, 2007a, Hayashi, 2001). Emotion, on the other hand, is defined as the feelings of impending decision might be wrong, or that particular decision is inappropriate (Lipshitz and Shulimovitz, 2007a). The effects of intuition and emotion, in other words, behavioural factors, on banks' lending decisions are widely studied (Lipshitz and Shulimovitz, 2007b, Bellucci et al., 2011, Jankowicz and Hisrich, 1987, Hensman and Sadler-Smith, 2011). Jankowicz and Hisrich (1987) use personal construct theory to explore intuitive factors of banks' loan officers in small business loan decisions. Their sample includes 20 commercial loan officers from four banks in Tulsa, Oklahom, and Las Cruces, New Mexico. Their results indicate that intuition of loan officers plays more important role in business lending than collateral and other financial aspects of a prospective loan.

Prospect theory, for example, is first introduced by Kahneman and Tversky (1979), then, it is advanced into cumulative prospect theory by Tversky and Kahneman (1992). It insists that risk attitude is determined by the outcome's relation to subjective judgement

and not the level of outcome. According to prospect theory, individuals tend to be risk averse in a domain of gains or when the circumstances are in favour of them, and risk seeking in a domain of losses or when they are in the midst of crisis. It has been used by Godlewski (2007) to study risk-taking behaviour by banks in emerging markets. The author has used accounting data of 894 South-East Asian and South and Latin American banks for the period of 1996-2001 from *Bankscope* database. The results support prospect theory's assumptions. Johnson (1994) has also found similar results using 142 banks' data from Bank Compustat for the period of 1979-1989. These types of study over emphasise individuals' cognitive processes. It fails to take into account of the institutional constraints such as regulatory requirements on the banks. When these types of constraints exist, even if the loan officers have all the information they need to validate the credibility of the borrower, loan applications might be rejected as to institutional limitations.

Psychological studies are oriented towards individual decision making and more or less assumed that people are rational when making economic decisions. This approach has been further improved by not only focusing on individual (micro) level but also on how societal (macro) level affects individual choice in social-psychological judgement theory. This is discussed in detail in the next section.

2.3.3 Social-psychological Judgement and Attitude Theory (Sociocognitive)

Social-psychological study of risk perception is interested in the issues of risk communications and also termed as 'empiricist psychometric' approach (Taylor-Gooby and Zinn, 2006). The studies of risk perceptions using social-psychological judgement theory assumes that risk is defined subjectively and influenced by psychological, social, institutional and cultural factors (Solvic, 2001). In other words, psychological based studies focused only on intuition, personalities, emotions and perceptions, however, in

social psychology, it is interested in knowing how social factors influence those psychological aspects and final judgements are arrived. McNamara and Bromiley (1997) studied influences on risk assessment in commercial lending using behaviour decision theories by recognising organisational and cognitive factors.

Bellucci et al.(2011) provide a review of literature and examined the theoretical arguments and empirical evidence on how genders of loan officers have effects on banks' lending practices. They have summarised that male and female loan officers' exhibit different risk tolerance levels. This can be the results of other factors such as differences in response to incentives (Agarwal and Wang, 2008, Beck et al., 2009) and career concerns (Agarwal and Wang, 2008).

Risk studies based on psychometric perspective use quantitative measures including questionnaire studies, magnitude estimation, numerical scaling, and attitude surveys (Taylor-Gooby and Zinn, 2006). Other associated methodologies include Logit Model (Agarwal and Wang, 2008, Barasinska, 2009), Probit Model (Ravina, 2008, Bellucci et al., 2009), Tobit Model (Ravina, 2008) and qualitative methodologies such as interviews, are also used in association with quantitative measures (Buttner and Rosen, 1988).

2.3.4 Sociological Theories and Policy Analysis

By only depending on the behavioural data alone limits the importance of social context of choice (Cook et al., 1990). In other words, rational decision makers in a particular social context will not be able to make rational decisions as collection preferences cannot be obtained due to the constraints imposed from the contextual environment. Sociological perspective gives a distinctive contribution to risk analysis as its emphasis is on the role of shared ideas and normative frameworks which are formed by cultural and social factors (Taylor-Gooby and Zinn, 2006). Douglas and Wildvasky (1982) have studied risk from sociocultural perspective. They have found a wide range of cultural bases for risk

perception and the process of dealing with it. Thus, sociological perspective gives a significant contribution to classical risk studies whose assumptions are that individuals are rational actors.

However, sociological theories have not been incorporated extensively in studying banks' lending behaviour, except for Lane and Quack (2002) who applied sociological institutionalist approach to understand how banks construct and manage risk in SME lending. The authors analysed banks financing in Britain and Germany and found different approach towards risk assessments despite banks are within EU regulations and internationalisation. This is because banks are deeply embedded in their own institutional framework. Therefore, it can be assumed that banks in Myanmar would have different approaches to bank lending assessments as their institutional frameworks are different as banks operate in highly institutionalised environment.

Moreover, Lane and Quack (2002) investigate countries in which economic sanctions do not exist, therefore, with no barriers to internationalisation. By looking at this study, differences in banks' lending practices can be seen across two different countries. If the banks are considered to be rational, no difference will be seen. Hence, banks' operations and activities are affected by the institutional environment where they operate in (Hernández-Cánovas and Koëter-Kant, 2010). Therefore, there requires the need to take into account of the context. By referring back to the theoretical studies of perception of risks, sociological theory would be the only one that addresses power, institutional constraints, social values and pressure groups on risk perception (Otway and Vonwinterfeldt, 1982).

To understand the banks' lending behaviour in Myanmar, one should recognise the fact that there is not much of internationalisation in its business environment. Thus, in order to understand banks' risk assessment procedures and policies, it is necessary to consider the

institutional environment in which the banks are embedded in. This includes regulative effects of state policy, legislation and intermediary organisations on banks' lending behaviour which have been highlighted by some of the comparative studies of economic organisation in different societies (Whitley, 2003, Lane and Quack, 2002, Klein, 2003) and other normative and cognitive effects as suggested by new institutional theory (Scott and Meyer, 1994, DiMaggio and Powell, 1983).

2.4 Analytical Domains

Previous studies' analytical domains are divided into three different levels of practice in sociology, micro, meso and macro levels.

2.4.1 Micro Level

The studies in which individual interactions between and within organisations, thus having direct effects on decision making processes will be classified under micro level studies. For instance, DeYoung et al.(1999) study the effects of age, number of branches and size of the bank on banks' lending using US commercial bank data and find that there are negative relationships between age and size of the banks on lending to small businesses. They have also found that banks with higher concentration of banks' branches in urban market have positive effect on small business lending. Similar results are also found by Berger et al.(2001) and Zhong and Ying (2009) stating that large banks are less likely to engage in small business lending and this is also true for distressed and foreign owned banks in Argentina and China respectively.

Panagopoulos and Spiliotis (1998) and Degryse; and Van Cayseele (2000) study the customer relationships and their effects on pledging collaterals and interest rates. The former uses bank level data set from Greek banks whereas the latter from Belgian banks. However, they have got the same results suggesting that the longer the customers have

relationships with a bank, the lower the interest rates and probability of pledging collaterals. Sapienza (2004) and Micco and Panizz (2006) study the impact of bank ownership on banks' lending. They have found that government-owned banks charge lower interest rates than private banks. Similarly, higher risk takings can be found in shareholder owned banks as they attempt to increase shareholders' wealth (Seabright et al., 2002). These studies have used data from European transition countries. There is also another study of the relationships between internal credit ratings which is derived from Basel Accord II and interest premiums (Machauer and Weber, 1998). This study focuses on German banks and finds that loan interest premiums are related to borrower credit ratings and show no relation to collaterals.

In summary, these micro level studies focus on the organisational factors such as customers, collaterals, bank size, ownership, age and number of branches and their effects on banks' lending behaviour.

2.4.2 Meso Level

Meso level studies are broader than micro level studies in the sense that they provide more focus on industrial effects on banks' lending practices. One of the most studied meso level factors and its effects on banks' lending is competition. There are significance number of studies stating that competition not only decreases cost of borrowing but also increases banks to have longer relationships with borrowers (Petersen and Rajan, 1995, Hauswald and Marquez, 2006, Zhong and Ying, 2009, Ruckes, 2004), thereby creating less incentives for banks to acquire information. Liu et al. (2012) study competition and risk taking in regard to South East Asian banking. They have found that concentration of banks lead to reduce risk taking. The major flaw of the study is that they have studied only four countries, namely, Indonesia, Malaysia, Philippines and Vietnam, which are listed under top six economies according to GDP data from IMF database. They have

generalised the findings based on these four countries and concluded that competition decreases banks' risk taking behaviour. They have ignored other smaller economies like Myanmar. These findings cannot be extended to Myanmar, as its institutional environment is significantly different from these countries and applying these findings to such small economies is impossible.

Collateral laws and creditor protection rights are also found to have effects on banks' lending, for instance, Haselmann and Wachtel (2006) study 423 banks in 20 transition countries in Europe and found that banks in good legal environment is associated with banks acceptance of different types of assets as collaterals and these banks are more willing to lend to information opaque borrowers.

Ely and Robinson (2001) also study the improved in credit scoring models in banking industry and its effects on banking industry using US banking data. They have discovered that technological change in credit scoring increases large banks' share of small business lending and decreases average loan size to small businesses. However, banks in Myanmar do not have the privilege of getting borrowers' information from credit bureaus as there is none. Thus, it is expected that Myanmar banks would have other techniques in regard to determining borrowers' credibility. The impacts of capital regulations on banks' lending are also studied quite extensively by many researchers (Honda, 2004, Yilmaz, 2009, Ben Naceur and Kandil, Shrieves and Dahl, 1995). They have found that regulatory practices, capital regulation and bank penalties have significant effects on banks' lending.

In summary, meso level studies focus on the relationships between competitions, collateral laws, and technological developments in banking sector, capital regulations and banks' lending behaviour.

2.4.3 Macro Level

Macro level studies are the broadest of all as it takes into account of all the factors that not only affect banking industry as such but the economy as a whole. These studies include macroeconomic uncertainties, socio-cultural environment, and so on. For instance, Baum et al.(2002) and Ruckes (2004) study of macroeconomic uncertainties such as uncertainty in future economic conditions, inflation, and volatility of interest rates on banks' lending and found that banks become collectively more conservative in lending when there are a lot of pressures of macroeconomic uncertainties using bank level data from US. Similar results are found in Italian (Gambacorta and Mistrulli, 2003) and

Chilean banks (Micco and Panizz, 2006). On the other hand, Maznevski et al.(2001a) have taken a different perspective by studying banks' lending behaviour from social-cultural environmental perspective. They have used comparative data on cultural orientations from Canada, Mexico, Netherlands, Taiwan and USA integrating behavioural finance approach to understand how the differences in social cultural environment can have an effect on banks' lending practices. Their results indicate that loans are best rated when hierarchical information about the borrowers is given and worst when collective information is given.

2.5 Rationale for the Study of Interplays between Banks and Institutions Using Sociological Approach

Table 2-1 provides the summary of banking literature. It is divided into influencing factors, the underlying assumptions under which the studies are conducted; data sample, the context or the research subjects; type of study, methodologies adopted; sources of pressures, the task and institutional levels that the studies focus on and the results. From the table, it can be concluded that all of these papers study banks' lending by either

isolating analytical domains or considering decision making as being rational or at least within bounded rational by using quantitative methodologies. In other words, many of the research papers in this area usually isolate the factors by studying only one directional approach rather than the interconnectedness and reflective actions on influences. In addition, none of these studies undertake research on how banks respond to institutional environment and how they interact with each other in order to attain efficiency while achieving legitimacy. Different levels of studies provide different factors affecting banks' lending behaviour. In reality, not only banks' lending but also their other activities operate by interacting with the elements from both task and institutional environments.

Moreover, it is unrealistic to study risk perceptions only at an individual level and also, it is inappropriate to assume that individuals are rational. The studies with rationality assumption are weak in the sense it will not give complete picture of the phenomenon in how banks' lending practices are shaped if the events or state of affairs that materialises them are excluded (Elster, 1990). In order to choose one of the risks in decision making studies for this research, there is the need to understand the type of environments that banks operate in. In a country, banking sector receives more policy attention than any other sectors. This is because they play a dominant role in the financial system by leveraging their balance sheet structure to allocate financial resources for businesses. This high leverage implies substantial degree of exposure of capital to liquidity, credit and other risks, which can lead to possible bank runs and failures. If these happen, there can be disruptive consequences for the economy. As a result, quantitative (capital adequacy requirements for risk diversification) and qualitative (protection rules for stakeholders) prudential regulations are imposed on banks (Rocha et al., 1999), therefore, banks become highly institutionalised (Soon and Cummings, 1997). In any organisations, in this case, banks operating in the industry mean they have claimed memberships to related institutions in this industry. Banks as members need to follow rules and norms in the

environment along with the industry to become legitimate for their existence and survival. Thus, the type of study which integrates 'sociological theories and policy analysis' is more suitable for this research. To this date, sociological theories have yet to be widely applied in banking research, except for Lane and Quack (2002) and Riaz (2009). The former studies banks' lending behaviour in the UK and Germany while the latter applied sociological approach to study the global financial crisis. As the research using sociological approach is limited, there is no prior framework or model to be followed. Therefore, the following chapter will provide the process by which sociological theories or approaches can be applied in banking studies.

Table 2-1: A Summary of Research Papers and their Methods and Aims of Studies

No.	Authors	Influencing Factors	Data Sample	Type of Study	Sources of Pressure	Results
1	Baum et al.(2002)	Macroeconomic Uncertainty (uncertainty in future economic conditions, inflation, volatility of interest rates)	Bank level data from US and samples of 84 banks' disaggregated loan categories and up to 199 banks' total loans over the 1981-2000 period	Portfolio Optimization Model	Macroeconomic Pressures	Pressures of macroeconomic uncertainty cause banks to become collectively more conservative in lending reducing loan-to-asset ratio
2	Berger et al.(2001)	Bank size, distressed banks, foreign ownership (SME Lending)	Data of 61,295 firms' 195,695 total loans from 115 different banks as of the end of 1998 in Argentina.	Regression Analysis	Organisational Level	Large banks, foreign owned banks and distressed banks are less likely to lend to small businesses.
3	Degryse and Van Cayseele (2000)	Customer relationship with banks	Data set of 17,776 loans given to SMEs given by a Belgian bank	Regression Analysis	Customers, Collaterals	The longer the customer has relationship with the bank, the lower the interest rates are. The length of relationship decreases the probability of pledging collaterals.

4	DeYoung et al.(1999)	Age, number of branches, size of the bank	US commercial banks data from the Federal Development Insurance Corporation (FDIC) for the period of 1993 to 1996	Regression Analysis	Organisational Level	There is negative relationship between age and small business lending. Higher concentration of banks' branches in urban market has positive effect on small business lending. The size of the bank has a negative influence on small business lending.
5	Ely and Robinson (2001)	Technological change in Credit Scoring Models in Banking Industry (SME Lending)	US banking data from 1994 to 1999	Statistical Analysis	Technological	Average loan size to small business lending has declined but large banks' share of small business lending has increased. (also pointed out that this can be because of other regulatory and market forces)
6	Gambacorta and Mistrulli (2003)	Capitalisation, monetary policy shocks and GDP shocks	Data-set of Italian banks over the period of 1992-2001	Econometric Model	Macroeconomic shocks induce supervisors (Central Bank) to increase	Well-capitalised banks are more risk-averse and preserve long-term relationships if their borrowers are in financial difficulties

					minimum capital requirements	
7	Haselmann and Wachtel (2006)	Collateral Laws, Creditor protection rights (SME Lending)	423 banks' level data from 20 transition countries in Europe	Statistical Analysis	Legal Environmental	Good legal environment is associated with banks acceptance of different types of assets as collateral and the more willing a bank to lending to information opaque borrowers
8	Hauswald and Marquez (2006)	Competition		Econometric Model	Industrial Peers	Competition decreases interest rates It reduces the incentives for banks to acquire information, thereby, affecting the pricing and loan allocation
9	Hempell and Sørensen (2010)	Access to market funding and ability to transfer risks	118 banks in 16 European countries	Regression based analysis	Market	Increase in price of loans and decrease in loan supply
10	Khoury (2009)	Basel Accord	Theoretical Paper		Professionals	Basel Accord encourages banks' risk taking

11	Machauer and Weber (1998)	Internal Credit ratings	Data from five major German banks (SME Lending)	Regression Analysis	Customer	Loan interest premiums are related to borrower credit ratings and show no relation with collaterals
12	Maznevski et al.(2001b)	Social-cultural	Comparative data on cultural orientations from Canada, Mexico, Netherlands, Taiwan, USA and US Southeast lenders	Statistical analysis using cultural orientation scales Study from behavioural finance approach	Social-cultural Environment	It finds that when the financial information, relationship information of the borrower affects the lender's assessment. The loan is rated best when hierarchical information about the borrower is given and worst when collective information is given.
13	Micco and Panizza (2006)	Bank ownership and macroeconomic shocks	Bank level balance sheet data	Regression Analysis	Government	State-owned banks' lending are less responsive to macroeconomic shocks than domestically and foreign owned banks
14	Panagopoulos and Spiliotis (1998)	Customer Relationship	Data-set from Greek Banks, ranging from the actual nominal stock of banking lending to collateral maturities and the repayment period	Cointegration Approach	Organisational level, Customers	Current loans are determined by previous loans Strict controls in upper and lower limits of interest rates and reserve requirement ratio have no statistical importance to lending

15	Petersen and Rajan (1995)	Competition in credit market (SME Lending)	Data from the National Small Business Survey of Small Business Finance in 1998 to 1989 in the US	Econometric Model	Industrial Peers, Customers	Competition in the market causes banks to have long-term relationship with banks, decreasing cost of borrowing over time Competition also increases lending to small firms
16	Ruckes (2004)	Economic outlook, competition among banks		Econometric Model	Economy, Industry Peers	Good economic outlook increases the banks' competition in loan pricing as default probabilities of borrowers decline (points out that lower credit standards in good times is not the bankers' carelessness but they are rational decisions that serve to maximise profits)
17	Salas and Saurina (2003)	Deregulation	Spanish banks	Econometric Model	Regulation	Deregulation increases banks risk taking behaviour

18	Sapienza (2004)	Government Ownership	Bank level data set from 90 Italian banks and loan data of 50,000 Italian companies	Regression Analysis	Organisational Level, Government	Interest rates charged by state-owned banks are lower than private banks. (raises questions for the motives)
19	Seabright et al.(2002)	Risk taking and shareholder wealth maximisation, banking reform	Data from transition countries from 1994-1999, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Macedonia, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Romania, Russia, Slovak Republic, Slovenia, Ukraine	Econometric Model	Shareholders, regulatory	Banks take risks to maximise shareholders' wealth Average return on equity is lower for low substantial and banking reform, but those who bear the costs are depositors.
20	Zhong and Ying (2009)	Bank size, lending authority, incentives of loan officers, bank competition,	Panel data constructed from the Ecological Environment Survey in	Regression Analysis	Organisational Arrangements and Competition	If an institution has more self-loan approval right, greater competition and if the wage is linked to loan quality, lending to SMEs is higher.

		institutional arrangement (SME Lending)	China			Small banks tend to lend more to SMEs as they have more competitive advantage in collecting soft information. If the local banks greater pressure in making profit through increasing the weight of profit in performance evaluation, the bank tends to collect soft information to find high-quality customers.

2.6 Conclusions

In summary, the literature studying banks' lending behaviour used statistical probability models based on bank level data which are only realised in the future and has ignored the fact that these future results are formed by the banks' perceptions and risk attitudes towards businesses during their lending decisions. In other words, these financial studies focus on market-based judgements of financial risks and the ex-post calibration of different factors and bank lending. In contrast, bank lending decisions are strategic decision processes (ex-ante) and made depending on their perceptions of borrower's credibility and repayment ability.

Secondly, these studies are limited in the sense that they only identified the significances of the relationships between different factors and banks' lending, and failed to explore other factors constraining banks from externalising and internalising risks. By identifying the significances of the relationships, these studies isolate the factors in macro, meso and micro analyses and fail in one important respect, that is, how these factors influence one another, in other words, they fail to provide theoretical links in which these factors interact. More importantly, these analyses are based on the countries where transparency exists and large amount of data can be gathered through different sources. In Myanmar, banks are not as transparent as other countries and banks' data are considered to be highly confidential. Only publicly traded banks are required to publish annual reports and there only couple of shareholder owned bank while most of them are family or privately-owned. Thus, using quantitative research is not feasible to generate required information.

Thirdly, most of these studies have 'rationality' assumptions in studying decision making approach. This causes limitations as it usually simplifies complexities of relationships between political and social relationships. Individual level decision making is very complex, hence, require an expanded set of concepts about how different institutional

arrangements affect and are affected by individual decision making (Cook et al., 1990). Rationality is more concerned with micro level than macro level studies. In Myanmar, state control is prevalent and cannot be ignored. In other words, the influence of external environments on Myanmar's banking activities must be recognised. This fact has been supported by Turnell (2003). Until now, research on Myanmar's banking system is very rare.

Miller (1990, p. 343) also makes distinctions between economics and sociology by stating that

> "Economics is about how individuals make choices, and sociology is about how individuals have no choices to make. The gap between economics and sociology has certainly shrunk dramatically as economists have learned to accept the possibility that individual choices in coordination games are rationally constrained by social conventions and norms. However, individuals in social settings constrained by social norms still have important choices to make"

He suggests that there is still a gap in studying banks' lending behaviour in two main streams, economic and sociology. Much of the research in banking is dominated by economists who integrate their rationality models into them. Despite sociological approach being recognised to improve banking studies, none of the sociologists have taken the steps to integrate their disciplinary assumptions and theories into this area. It is needed as banks are similar to individuals living in a community or a society, where they have to adapt to the environments that they live in and follow the requirements that their societies expected them to. These gaps in literature give a scope for interdisciplinary approach to study banks' lending practices. The literature discussed in this section will

assist the researcher in building the theoretical framework for forming interview questions as well as analysing the data.

In summary, the need for studying banks' lending behaviour from sociological perspective has been justified. Yet, no suitable theory has been chosen to incorporate in this study. There are many related theories available to employ as a theoretical basis for banks' lending with respect to their operational environment being uncertain and risky environments. The choice of theory or theories will be further discussed in the following chapter.

Chapter Three: Development of Theoretical Framework

3.1 Introduction

The previous chapter has provided rationale for the use of sociological approach to study banks' lending practices. The literature reveals that no sociological approach has been found to use any sociological theories to study this area. In order to achieve the first objective of this study, a theoretical framework is required to help understand what factors influence the decisions to conform, or not to conform institutional pressures in structuring their lending practices.

The chapter provides the justification on the adoption for institutional theory and the reasons for banks to respond to different environmental concerns are given along with their limitations and suitability with the aims and objectives of the research. Later in this chapter, a theoretical framework is developed to study how banks are institutionalised and how strategic responses to these institutional pressures are made and what trigger them for differing strategic responses. It incorporates institutional theory and Oliver's strategic responses in relation to task environment.

3.2 New Institutional Theory

Institutional theory has a long and rich history in a range of literatures predominantly within sociology and political science. As discussed in the previous chapters, banking studies have been studied from macro level and micro level approaches. They neglect the social and organisational interactions and their role in field formation and evolution. The

new institutional theory, on the other hand, is able to tackle each of these issues. However, recently, many researchers have incorporated different theoretical perspectives to study interplay between organisations and its institutions. Therefore, I start by discussing its definition of 'institutions'.

3.2.1 'Institutions' Defined

Institutions have been variously defined. Scott (2001) brings all these definitions together for what he calls the 'omnibus conception of institutions'. Institutions are social structures that have attained a high degree of resilience, or change agents and champions (Creed et al, 2002). They have the ability to critically evaluate and motivate cooperation of other actors within banks around particular goals. These individuals use their networks and credibility within organisation to push for changes around relevant institutions and also have the ability to strongly influence the culture and cultural changes within the organisation (Sachs et al, 2005).

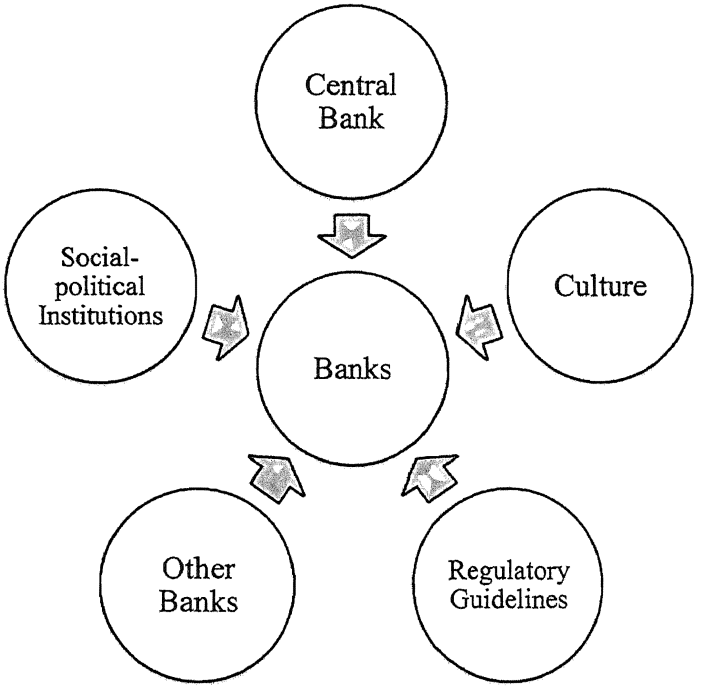

Figure 3-1: Examples of Institutions in Banking Industry

Therefore, social structures or institutions are 'dual' in that they are both the 'medium and the outcome of the practices that they recursively organise' (Giddens, 1984). As each of the actors within the institutional framework responds to and engages in the creation, maintenance and change/decline of this framework or its subparts. As presented in Figure 3-1, banks are agents whose actions can be motivated or changed in regard to the institutions' goals. For instance, the central bank would provide guidelines for banks to follow to attain the goal of financial stability. Their roles in constraining and enabling actors, in this context, banks to certain behaviour are further elaborated in the following sections.

3.2.2 Assumptions of New Institutional Theory

New institutional theory that will be described here is different from 'old institutional theory' which has different views on institutions. It concerns more on description rather than explanation or theory building. In both of these theories, irrespective of whether they are old or new, the main idea is 'legitimacy'. New institutional theory is less concerned with conflict and vested interests. Instead of focusing on the irrationality of the informal structure, it uncover irrationality in the formal structure itself (DiMaggio and Powell, 1983).

Legitimacy is the central thrust of institutional theory in organisational analysis. In this study, it is investigated in terms of social acceptance, peer acknowledgement and positive evaluations from the banks' institutional or external environment. On the other hand, efficiency is often hypothesised as the result of resisting to institutional pressures for increasing financial performance. This proposition is drawn from contingency theory which states that organisations will choose the most appropriate strategy given the situation in hand. The need to recognise efficiency or divergence perspective comes from the events caused by the banks' non-adherence to the institutional requirements in the

global financial sector. Efficiency requirements are set by banks' internal environment rather than external environment. Often, it is difficult to explicitly identify actors involved in these two environments. They will be further explained in section (3.2.3). I have summarised these arguments in the following

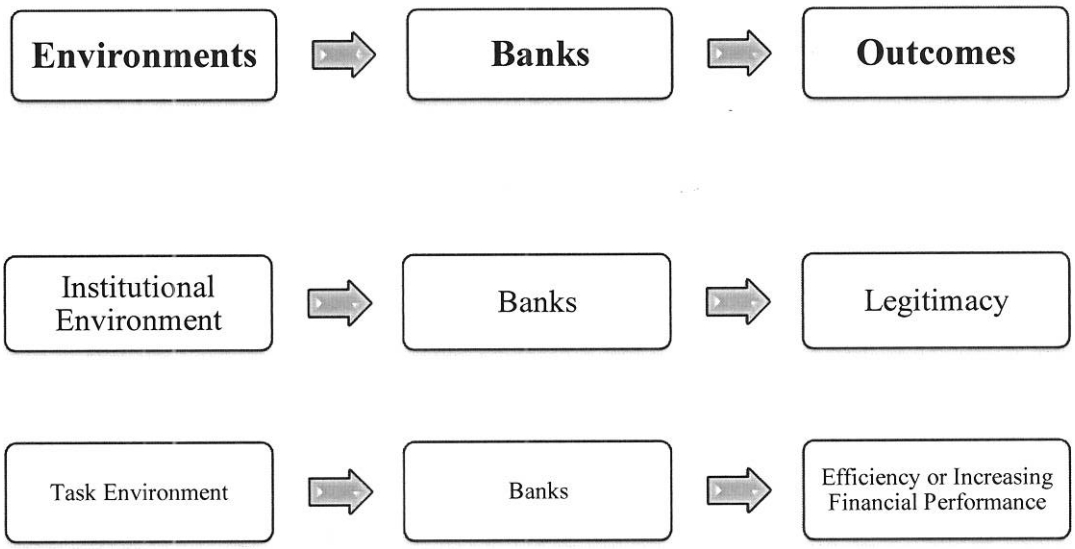

Figure 3-2: Environments and Outcomes

Institutional theory suggests that besides effectiveness and financial success, the organisation has to be legitimate in order to survive in the long run (Greenwood and Hinings, 1996, Scott and Meyer, 1994). From the insitutionalist perspective, business organisations are embedded in an institutional environment (Wilkinson, 1996). In this type of environment, institutionalised organisational actions and behaviour are intrinsically valued and perceived legitimate as they are emerged from the conformity between shared definitions of social reality and consensus among organisational actors (Oliver, 1992). Whitley (1994) also states that different institutional environments generate different kinds of technically efficient business systems; therefore, it is believed that banks in different institutional environments will design their own efficient systems to evaluate credit risks incorporated with businesses. Moreover, the institutional approach gives significant insights of the organisations studied regarding the importance of

institutional environments to their organisational structures and actions (Goodstein, 1994, Burns and Wholey, 1993, Fligstein, 1985, Han, 1994, Haunschild, 1993).

In other words, institutional theorists or researchers who incorporate institutional theory in research recognise the narrow presumptions of economic rationality in explaining and comprehending individual and organisational behaviour. According to Scott (2009), these types of studies focus on phenomenon with some level of resilience. The mechanism in which organisations adopt systems and procedures is termed as institutional isomorphism (DiMaggio and Powell, 1983). Though there are two types of isomorphism: competitive and institutional, the former assumes a system of rationality that emphasises market competition, niche change and performance measures. The latter is particularly of interest as it focuses on institutional pressures on organisations. Three types of institutional isomorphism are distinguished: regulative, normative and cognitive. The mechanisms by which these isomorphisms are encouraged upon organisations are through coercive, normative and mimetic respectively.

Table 3-1: Three Pillars of Institutions (Scott (2009))

Varying Emphasis: Three Pillars of Institutions			
	Regulative	**Normative**	**Mimetic**
Basis of Compliance	Expedience	Social Obligation	Taken for granted
Mechanisms	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules, Laws, Sanctions	Certification, Accredition	Prevalence, Isomorphism
Basis of Legitimacy	Legally sanctioned	Morally Governed	Culturally supported, conceptually correct

Table 3-1 presented above is developed by Scott (2009), and explained the elements of three pillars supporting institutions. It suggests that institutions provide not only normative and contextual constraints which alter individual and organisation perceptions but also contribute cultural terms and cognitive elements. In these three pillars, the factors that have been mentioned to influence the decision making process can be grouped accordingly. By following this framework, it will allow us to understand how regulative, normative and cognitive processes lead to more standardised and rationalised practices across banks in different countries. In addition, the researcher will also be able to study how coercive, normative and mimetic pressures shape an individual's decision making process under ambiguities of loan applicants.

These institutional pressures have the sources by which they are exerted on organisations. One cannot analyse institutional pressures without acknowledging their sources. The following diagram shows the relationship between sources of institutional pressures and their outcome. It is legitimacy, which is needed for the organisations' survival. The sources respective to each institutional pressure is explained in detail in the following sections.

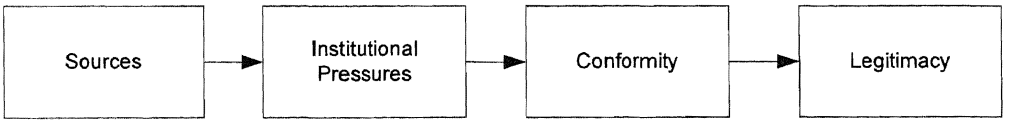

Figure 3-3: Relationships between Sources and Institutional Pressures according to Institutional Theory

In summary, it provides a very useful perspective on how banks' lending practices are shaped by institutional environment to achieve legitimacy, not only because they are good, rational and profitable. The notion of 'legitimacy' is particularly relevant to study banks as they are considered to be operating in a highly regulated and institutionalised

environment, especially in a country where hierarchical culture is embedded in all the activities ranging from management in public to private organisations.

Similar to other theories, it has some limitations. For instance, it does not explain the changes in which the institutional pressures occur and does not account for resistance to institutional pressures. In other words, there is no recognition for the role of agency or organisations within the argumentations and assumptions of institutional theory (Lounsbury, 2008). This is not totally true as the cognitive pillar of institutional theory does recognise certain aspect of agency, i.e. mimicking the practices of other organisations. It would be much clearer to describe agency as the 'conducts of self-interest'. In such a way, institutional theory can be associated with social constructionism which views organisations conform to institutional requirements and not as diffusers. However, organisations are also actors who are also active interpreters, 'formulating, conforming to, disobeying, and modifying' (Scott, 1994, p. 20).

One of the advantages of using institutional theory is that in order to complement these weaknesses, another theory from the same discipline can be used. It is developed by Oliver (1991), providing divergent perspectives of institutional theory. It should be noted that this research does not disrespect convergent perspective but used as a complement to provide a complete picture.

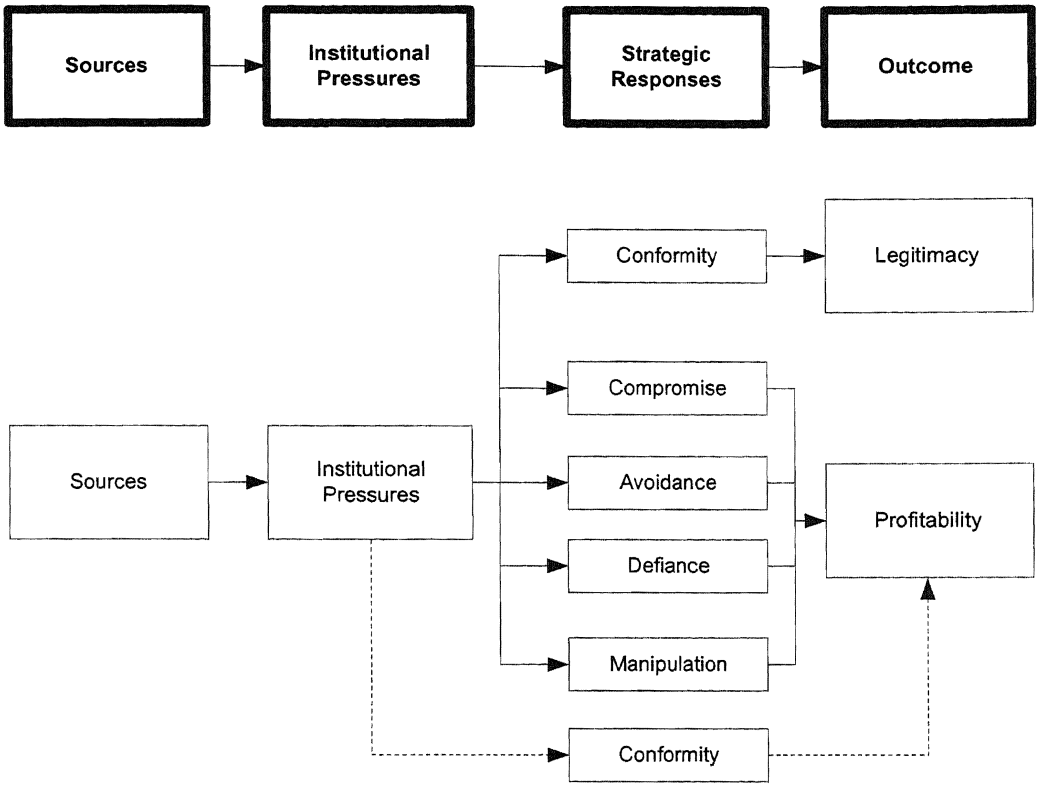

Figure 3-4: Diagram of Oliver's (1991) Divergent Perspectives to Institutional Theory

Until now, institutional theory itself has been concerned with how institutions determine and homogenise organisational actions through taken for granted rules and norms for gaining legitimacy which is a requirement for achieving support needed for their survivals. Indeed, through conformity, banks can achieve legitimacy which leads to efficiency, however, banks as profit-oriented organisations; efficiency includes not only legitimacy but also profitability. This does not indicate that conformity does not affect profitability but non-conformity enhances it. Profitability itself is legitimacy, i.e. to be achieved for those from task environment[3]. A full range of institutional strategies are given by Oliver (1991). They are acquiescence (conformity), compromise, avoidance, defiance and manipulation. In banking literature, institutional theory has not been used to study banks' lending behaviour because these studies isolate the factors affecting the

[3] The differences between task and institutional environment is elaborated in the next section.

phenomenon and ignore the interactions in arriving judgements in decision makings. As this is a sociological theory, the sources of these pressures will be different depending on the context being studied. The elements of the pressures will be discussed in details with respect to banking industry in the following section. However, the differences between institutional and task environments will be explained first to provide the reader to understand the role of different factors in banks' institutional and task environments in the thesis.

3.2.3 Differences between Institutional and Task Environment

For a theoretical framework development, it is needed to differentiate between institutional and task environment factors contributing to banks' lending strategies. According to Carroll and Huo (1986), institutional environment is used to describe the external factors that indirectly affect an organisation through societal norms, resources, and constraints whereas task environment is referred to as the areas where negotiation for exchange of inputs for outputs take place. The former includes the variables such as corporate culture, market structure of the economy, and the political and legal systems.

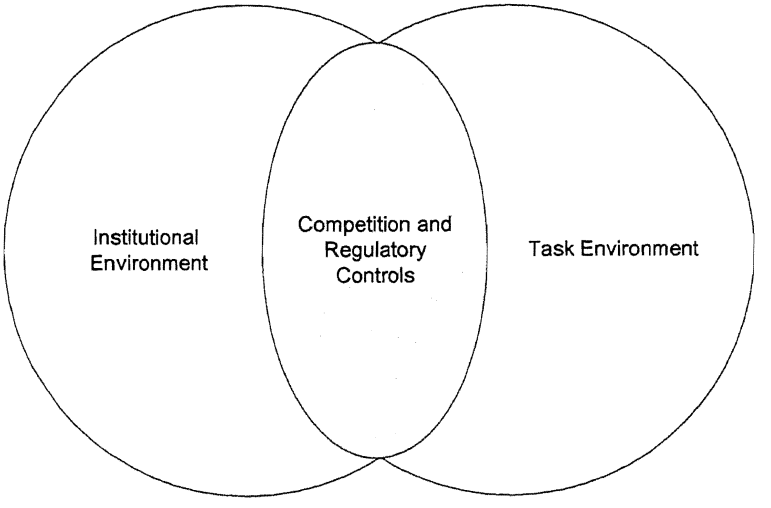

Figure 3-5: Overlap between Institutional and Task Environments (Developed by Author)

According to Dill (1958), task environment consists of all the elements that are relevant for an organisation's goal setting and goal attainment. Scott (2009) states that task environment can be reduced to four major group of actors, customers of the organisation's output; suppliers of the organisation's output; competitors of the organisation; and regulatory groups. Thus, some of the factors can overlap between the task environment and institutional environment, for instance, competition and regulatory factors. This is because organisations and institutions exist interdependently. Many authors have differentiated the factors included in these two groups in different ways. For instance, Scott (1983) classifies task environmental variables through exchange oriented model where those external factors which have interdependencies with organisations.

Therefore, in this case, distinction will be based on the primary theoretical settings, i.e. they will be categorised depending on the institutional theorist assumptions for those overlapping factors, competitions and regulatory controls. From an institutional theorist point of view, these factors are classified into how they can influence organisational outcomes. The institutional environment exerts institutional forces for organisations to conform to achieve legitimacy by creating homogenised practices. On the other hand, task environment are viewed by organisations to be distinctive from their competitors to achieve efficiency by increasing profitability or gaining resources. Similarly, such classifications are done on regulatory controls. In this case, according to banking literature, regulatory controls for banking industry are not dependent upon the task environment factors and do not work as part of efficiency criteria but as legitimacy. The following Table 3-2 summarise the given arguments.

Table 3-2: Classification of Overlapping Factors to Respective Environments

Factors/Environment	Institutional Environment	Task Environment
View of Competitor as	Mimicking for legitimacy	Affecting Organisation's Profitability
Regulatory Controls	Common Law Enforcement on the Industry	Regulatory Control Banks' Lending to Specific Customers

The task environment is also important in this research because it provides 'technical controls' for banks to respond differently to institutional pressures. Applying institutional theory would highlight institutional complexities that banks face. In addition, it would also provide opportunities for developing the theory further as legitimacy is a requirement for any organisation especially banks, where they are highly institutionalised in every country (Scott, 2009). At the same time, they would try to achieve maximum competitive advantage by utilising organisational capabilities (Kostova and Roth, 2002) since efficiency is also required for survival of the organisations. However, when responding to these institutional pressures through either of the above strategic responses, banks would respond differently depending on different factors which are labelled as 'contingent factors' in this thesis instead of 'technical controls'. Unlike the studies which integrate institutional theory to study environmental pressures where the role of agency has been ignored and conformity of organisations to these pressures are presumed, this research has taken steps forward by not only recognising banks responses but also by studying the factors that stimulate them to undertake such responses and to understand differing responses to these pressures by banks.

In summary, factors for task environments are usually conceptualised from the perspective of an organisation. From the banks' lending behaviour literature, four factors

are identified: (1) customers; (2) shareholders; (3) depositors; and (4) competitors. *Customers or loan applicants* are one of the most important factors affecting banks' lending decisions. A borrower's serviceability is usually determined by 5 Cs namely, Character, Cash Flow, Collateral, Conditions and Capital. In addition, the industry Sector (criteria of assessment under condition) where borrowers engage in doing business can also affect the lending practices. Banks will have different risk appetites for different industry sectors that the borrower is involved in (Andrews and Thompson, 2008). Vulnerability and the risk of the industry also affect banks' lending decisions as assessing borrower's strategic position includes conducting an overview of the business and risk analysis across three dimensions namely lending to a particular industry, the borrower's strategic direction in relation to its competition and how the borrower conducts its day to day business (George, 1991). These depends on the banks' internal guidelines for allocation of credit with respect to their acceptable level of risks which can be derived from profitability, market potential, elasticity of demand, economic cycles and adverse commodity price movements of the products in that industry. Thus, it is expected that though banks are institutionalised, depending on their internal policies, banks will respond differently. Relationship between customer and banks can induce banks to change their risk perceptions. Researchers have studied the effects of bank-borrower relationship on banks' lending behaviour (Berger and Udell, 2002, Berger and Udell, 1995, Petersen and Rajan, 1995). The underlying concept of relationship lending is that banks acquire information about the borrower's credibility over time through contact with the firm, therefore, would have leniency in requirements by the banks on these firms. As a result of long-term customer relationship with banks, these firms would receive lower collateral requirements.

Depositors and shareholders or *senior management* are crucial in banking as they are the suppliers of money creating amounts available for banks to lend. *Competitors* also have

effects in banks' decision making as increased competition can be associated with providing loans to customers as not doing so would cause banks to lose customers, thereby affecting profitability (Olivero et al., 2009). The following section will provide detailed explanations for choosing different sources of institutional pressures and their importance for the study.

3.2.4 Institutional Pressures

It has been identified that there are three types of institutional pressures namely coercive, mimetic and normative which cause organisations to become homogeneous, limiting their opportunities and actions (DiMaggio and Powell, 1983). These concepts are described more extensively in the text below.

3.2.4.1 Coercive Pressures

Coercive pressure refers to the pressure that is exerted on organisations by others to conform to the rules and practices that are considered important within an industry (DiMaggio and Powell, 1983). These forces come from external entities external to a population of firms and they can be in the form of persuasion, force or collusion (Hoffman and Ventresca, 2002). Dacin (1997) identified government regulation, public opinion, or lawsuits as coercive pressures.

According to Scott (2001) it can take two forms: formal and informal. The formal rules include written down rules and regulations while informal rules are code of conducts for institutions operating in that industry. These coercive pressures control the institutions by rewarding and punishing the actors. Thus, they are important in such a way that they confer legitimacy allowing them to exist and operate. In relation to banks' lending, prior research highlights the coercive influence exerted on banks are through the central bank's regulatory control, financial regulations, and socioeconomic-political situations.

Sources: Social-political Institutions

Hoque et al. (1994) identify a number of overall socioeconomic factors such as uncertainty, resource scarcity, political instability, and the tendency towards organisational disorder. In most of the research using institutional theory, socioeconomic-political institutions' pressures are not considered to be a part of coercive pressure by assuming uncertainty in terms of the technical environment such as economic input, market functions, and technological factors (Alam, 1997). These results are gathered through studying state-owned enterprises in developing countries.

However, it cannot be ignored that other organisations are also operating in the same institutional and technical environments; therefore, commercial banks are also exposed to these socioeconomic and political institutional pressures to certain extent. Especially in developing countries, in spite of striving for rapid social-economic development over past decades, the performances of these operations fall short of expectations. In theory, organisations in every country are managed rationally and centrally through national economic plans. In reality, these institutions do not operate as they should, partly due to the systems of accountability and controls are complicated by the turbulent and changing political, economic and social environment and external events that overwhelm them (Hoque et al., 1994).

Sources: Central Bank and Financial Regulatory Bodies

In most of the countries, banks are required to operate under the Central Bank's regulations and guidelines. In these types of institutional structure, the central bank is not only responsible for setting monetary policy but also banking supervision. However, in some countries, banking supervision is carried out by a government department, such as HM Treasury or an independent government agency FSA in the UK. Therefore, banks operating in this type of environment need to follow rules and regulations set by different

institutions. These regulatory bodies seek to improve the rules and procedures by aligning capital requirements more closely to underlying risks that banks face. The Basel Accord is also used by regulators as a guideline but is not strictly followed. For instance, UK and Singapore are developed countries employing Basel II, however, Singapore sets capital adequacy ratio of 10%[4] whereas, Basel II stated that it only needs 8%. Thus, banks must follow the capital adequacy of 10% even if they think it's high. Not conforming to these rules, banks will lose its legitimacy in that environment. In the worst case, it can lead to the termination of organisations.

In summary, banks are required to shape their risk management practices in accordance with regulatory pressures, which affect their lending behaviour.

3.2.4.2 Normative Pressures

A normative isomorphism stems from professionalism (DiMaggio and Powell, 1983). It is understood as the collective struggle of members of an occupation, shared educational and professional experience and infrastructure that establish norms of behaviour and express those norms of the management who make up the institutions. Scott (2001) argues that it can be considered as the sharing of norms and values through relational channels among members of a network conditional to the organisational behaviour. Similarly, Kostova and Roth (2002) refers values, beliefs, norms and assumptions existing in the institutional environment that captures prescriptive, evaluative and obligatory dimensions in social life to normative pillar. Normative pressure focuses on the moral aspect of legitimacy. It states appropriate means that could be used to reach appropriate goals. For a bank, an example of an appropriate goal is shareholder wealth maximisation and an appropriate way to generate this is through risk taking as high risks are associated with high interest premium. Normative isomorphism stems from the

[4] This data is provided on the website of Monetary Authority of Singapore.

willingness of an individual to comply with authority to fit into the organisation, and society. The incentive for complying with normative element is prominence. Behaving accordingly gives an individual or corporation positive feedbacks and increases it prominence. Organisations that are perceived to be working in great consistency with the normative pressure may get more recognition for their effort. This could be in terms of financial and non-financial forms of rewards.

On the other hand, Hussain and Gunasekaran (2010) identify "management's competence" as a normative pressure in studying the practice of non-financial management accounting measures in banks and financial institutions. Instead of providing the source of the pressure (e.g. values and norms), the authors have justified by stating that the management of banks and financial institutions is 'social men' with, probably, professional networks they are likely to be influenced by normative behaviours/sources. Additionally, they have incorporated "corporate culture" into normative pillar stating that human beings are cultural product operating within in its cultural and institutional context, therefore, "corporate culture" is considered to be made up of their aims and beliefs consistent with external societal or cultural influences. In other words, the authors have used micro-level factors as normative influence in contrast to the perspectives taken by other institutional theorists. These institutional theorists have taken broader level into considerations, ranging from professionals within the industry, best practices, conventional wisdoms and the standards set by the networks (Hoffman and Ventresca, 2002). Similar to coercive pressure, there is no prior research on how these pressures have effects on banks' lending behaviour, I take into consideration of different normative relational channels such as Professionals, Corporate Culture, Guidelines and External Verifiers in which banks are required to conform to when lending to businesses as not conforming to these will lose its legitimacy.

Sources: Professional Associations

Professionalism has been a centre focus of normative isomorphism in many research papers integrating institutional theory (Braunscheidel et al., 2011, Etherington and Richardson, 1994). In every industry, there is always a set of guidelines needed to be followed by the organisations operating within. For instance, in medicine, there are medical guidelines for health care practitioners to follow and in computer programming, there are also sets of rules or guidelines used by the programmers in writing the source code for a computer program.

In the UK, professional associations for bankers such as British Bankers' Associations exist. By becoming a member of the association, there are a set of rules and guidelines that bankers must adhere to do achieve legitimacy. These organisations act as the disseminators of suitable organisational patterns which are then adopted by organisations that are under the influence of the professional organisations. This is done through trainings, seminars, certifications, etc. The limited professional associations can induce greater monopolisation and control of the knowledge base which in turn control bankers' practices in the industry.

Sources: Guidelines

These rules and guidelines may be issued by governmental or private organisations. Similarly, in banking, there are a set of guidelines issued by national and international regulators. These guidelines are not enforced; however, they are expected to be followed to achieve legitimacy. Unlike any industries, banking is one of the most regulated industries in the world. At international level, Basel Accord introduce capital adequacy regulations for banks, however, Myanmar does not have any capital market, the

guidelines written by the Central Bank do not implement Basel Accord II[5]. Thus, banks in Myanmar are not required to implement the proposed regulatory guidelines from international regulators but instead, have to follow the guidelines set by the national regulator. However, the guidelines are not limited to national and international, they can also be set by the banks themselves.

In some countries, for instance, in Africa, there are a set of guidelines issued by the Central Bank to the commercial banks stipulating them to minimum and maximum percentage of shares of a bank's total assets to be allocated to particular sectors and to indigenous businesses and also minimum level to lend to small businesses (Brownbridge et al., 1998). The banks are also required to ensure that their loan portfolios are made up of both medium and long-term lending. Therefore, these guidelines channel credit to different sectors affecting banks' lending behaviour to different sectors. These types of guidelines are also prevalent in European countries, for example, in the UK, there are some set of guidelines required the banks to promote SME lending. Nevertheless, these guidelines are not effectively implemented as banks' guidelines and credit standards change according to the market environment. Thus, not only the regulatory but also the bank itself has their own specific guidelines in regards to lending to small businesses which again reflects on the specific institutional environment.

Sources: External Verfiers

In well-established banking systems, credit rating agencies are the important source of determining borrowers' credibility. They assign credit ratings to sovereign and private sector borrowers throughout the world (Ferri et al., 1999). These ratings provide financial institutions an estimate of the probabilities that the borrowers will default. In other words,

[5] The researcher has interviewed a manager from the Central Bank of Myanmar, and the person has stated that there is no need for Basel Accord II has the country has no capital market, therefore, other additional risks prescribed in Basel Accord II are not applicable.

they assess the probability that the borrowers will not fulfil its obligations as specified if the contract is given. Almost all the banks in European countries use credit ratings provided by these agencies to finalise their lending decisions. They set interest rates beside different ranges of credit ratings. If the borrower has lower credit rating, they tend to externalise risks by setting higher interest rates and vice versa, creating credit rationing (Stiglitz and Weiss, 1981). There are different rating agencies operating in the world. However, their reliability has been questioned as they have failed to warn the markets against the East Asian Crisis in 1997 and 1998 (Ferri et al., 1999) as well as in 2007 and 2008 subprime mortgage crisis. Their ratings tend to be procyclical and they tend to vary with the economic climate. Windhoff-Heritier (2002) states that credit rating agencies transform the uncertainties of credit relationships into calculable risks. However, if the factors influencing banks' lending practices are to be looked at, credit rating agencies are not to be concerned of as there is no culture of credit rating agencies exists in Myanmar despite these agencies being used as external verifiers in established financial markets.

Nevertheless, banks in Myanmar have their own practices of verifying the credibility of borrowers since the banks have no privilege to transfer risks to capital markets as well as credit rating agencies for acquiring information about the borrowers. Since there are no intermediary organisations such as banking groups and central banking organisations as in Germany where banks can draw on a large and valuable body of information about the businesses, banks have to search for their own external verifiers. They have to rely on professionals such as accountants, private companies and others who can give assurance of the creditworthiness of the borrowers.

Sources: Corporate Culture

The effects of corporate culture on banks' lending practices cannot be ignored if lending practices are to be studied from sociological perspective as individuals are restrained by

external environments. Since the effect of culture on banks' lending practices cannot be measured directly as "culture" is a broad term including different factors. From these statements, it can be induced that one can understand the overall culture from organisational level.

Giddens (1991) states that normative influences are important in homogenisation of organisational operations, however, national and corporate cultures play significant role in the divergence of organisational practices in micro level. Human beings are viewed as cultural products influenced by and functioning in an evolving cultural process (Gruchy, 1984). Professionals also need to rely on normative and/or mimetic influences to create cultural forms consistent with their own beliefs and aims (Scott, 2001). Thus, cultural influence, irrespective of the kind and type of organisation, needs to be (Schein, 1985, Scott, 2001) incorporated into organisational practices. For the survival within the national context, organisations need to cope with the problems of external adaptation and internal integration, which would be considered well enough for validity and to be taught to members as a correct way to perceive, think, and feel in relation to those problems. This is termed as "corporate culture" by Schein (1985). O'Reilly and Chatman (1996) define corporate culture as "a system of shared values and norms that define appropriate attitudes and behaviour for organisational members".

Corporate culture also involves with social expectations and standards as well as the values and beliefs that individuals hold central and that bind organisational groups (Lawson and Shen, 1998). Hence, it reflects not only how things work around within an organisation but also how its attitude and behaviour are the reflections of the national culture. In this perspective, corporate culture is influenced by national culture, in turn, organisations' practices are produced by corporate culture. In new institutional theory, organisational practices are adopted for legitimacy as opposed to efficiency reasons (DiMaggio and Powell, 1983). Thus, employees must conform to those core values,

beliefs, and basic assumptions that management expect them to share for legitimacy regardless whether they are positive or negative. Moreover, the importance of studying corporate culture increases as there is no vertical disintegration of banking industry in Myanmar and also due to the lack of credit risk transfer market, which in turn, creates a firm-based governance system instead of market-based governance.

An organisation's corporate culture cannot be easily determined as it is embedded deeply in the organisation and in the behaviour of the people within. Therefore, in order to understand its culture, the mechanisms in which banks' lending practices take forms should be analysed. However, one has to establish categories that are needed to identify themes and patterns around how a corporate culture is constructed. Glaser et al. (1987) examine six components of corporate culture such as climate-atmosphere, involvement, teamwork, supervision, communication-information flow, and meeting. Melewar (2003) suggests that corporate culture is made up of corporate philosophy, values, mission, principles, guidelines, history, the founder of the company, the country of origin and sub cultures. Some other authors have also stated that an organisation's corporate culture can be seen from its mission and vision statements stated in the brochures or websites (Wit and Meyer, 2010, Abratt, 1989). Their studies are grounded in management and communication research; hence, these concepts cannot be applied directly to study the influence of corporate culture on banks' lending decision making. For instance, the reward system, decision approval process and the authority given to loan officers within the organisation should be explored.

In summary, understanding corporate culture goes beyond studying the overall culture and entails investigations on the influences on practices and behaviour.

3.2.4.3 Mimetic Pressures

DiMaggio and Powell (1983) suggest that in an uncertain environment, organisations will imitate others in determining appropriate behaviour. They will model themselves on other organisations for overcoming uncertainties. In the example of banks, patterning their own lending practices or decision making processes on those implemented by those seen in the industry leaders are seen as a means for not only reducing uncertainties but also increasing legitimacy. In relation to banking, following the banking reform and deregulations under environmental uncertainty, it is likely that banks will adapt the perceptions of risks towards businesses and imitate risk mitigation strategies implemented by reputed banks in the industry.

3.2.5 Banks' Strategic Responses to Institutional Pressures

To understand risk behaviour, a combined consideration of these factors should be given. Therefore, the paper will draw on institutional theory, specifically, DiMaggio and Powell's (1983) notion of isomorphism to study banks' lending behaviour in Myanmar. Lane and Quack's study of banks' lending behaviour still fails to explain how banks respond to these institutional pressures in that social setting. Homogeneity among banks has been the focal point of institutional theory. The studies employing institutional theory has been focusing only on convergent view. As banking sector is a highly institutionalised industry, it is acceptable to assume that banks will conform to institutional pressures exerted upon them to attain legitimacy and are allowed low degree of autonomy in terms of lending practices. However, it omits the fact that conformity to institutionalised rules, policies, programs and functions conflict with efficiency criteria, therefore, over emphasising on banks' conformity to institutional pressures would deny the role of agency and their strategic responses to institutional pressures. In other words, institutional theory does not attempt to explain different responses by individual

organisations and the conditions under which they resist institutional pressures. Similarly, in business management literature, decision making processes are studied from the perspective that institutional environment constrain choices (Clemens and Douglas, 2005). It is important to study banks as agencies or actors who reposition or reframe their lending practices in the light of different conditions and institutional environment.

Oliver (1991) identifies five situations in which organisations resist institutional demands. They are:

1. There is no economic or social gain from compliance
2. The pressure for change is diffuse or external agents do not control resources
3. The demands are inconsistent with the goals of the actor
4. The pressures can be legal coercion or voluntary
5. The environmental uncertainty and interconnectedness is low

On the basis of these situations, strategic responses to institutional pressure has been recognised by Oliver (1991). According to the author, organisations' strategic responses to institutional pressures can be divided into Acquiescence, a strategy taken by a firm to conform to institutional pressures; Compromise, a strategy where a firm tries to reduce the extent to which conformity is necessary; Avoidance, a strategy in which a firm attempts to prevent the necessity to conform to institutional pressures; Defiance, a strategy in which a firm nonconformity to institutional pressure is openly admitted; and Manipulation, a strategy in which a firm actively respond to an institutional pressure where change of the institution is the goal.

Table 3-3: Strategic Responses to Institutional Pressures (Oliver, 1991, Etherington and Richardson, 1994)

	Strategies	Tactics	Examples
Active Negative	**Defiant**	Dismiss	Ignoring explicit norms and values
		Challenge	Contesting rules and requirements
		Attack	Assaulting the sources of institutional pressures
	Avoidance	Conceal	Disguising nonconformity
		Buffer	Loosening institutional attachments
		Escape	Changing goals, activities, or domains
Passive	**Acquiescence**	Habit	Following invisible, taken-for-granted norms
		Imitate	Mimicking institutional models
		Comply	Obeying rules and accepting norms
	Compromise	Balance	Balancing the expectations of multiple constituents
		Pacify	Placating and accommodating institutional elements
		Bargain	Negotiating with institutional stakeholders
Active Positive	**Manipulation**	Co-opt	Importing influential constituents
		Influence	Shaping values and criteria
		Control	Dominating institutional constituents and processes

In addition to these five strategic responses, Etherington and Richardson (1994) have ordered these responses again as a continuum based on two dimensions namely passive/active responses and positive/negative responses. They state that active response results in behaviours that differ from those demanded by the institutional agent while passive response reflects the demands as presented. Similarly, a positive response is intended to alter the nature of the demands in a manner that is acceptable to the actor and the institutional agent while a negative response maintains conflict between the actor and the institutional agent.

I decided to use Etherington and Richardson's (1994) continuum as it identifies which strategic responses are acceptable and have positive impacts on institutions. For example, by identifying 'compromise' as an active/positive strategic response in the data, interpretations can be done in such a way that though banks do not accept institutional constraints or pressures on them, they do not react in an unacceptable manner by institutions. In other words, I can conclude that banks are not taking the risk of losing legitimacy by positively reacting to institutional pressures. The summary of divergence perspective is given in the above Table **3-3**.

3.2.5.1 Defiance (Active/Negative)

Defiance is an active and negative form of resistance. According to Oliver (1991), there are three types of tactics for defiance. They are dismiss, challenge and attack. Due to the nature of the negative response, it creates conflicts between actor and institutional agent. There are certain conditions in which these tactics will take place. Dismissal is to totally ignore institutional pressures. It is possible if the bank's survival is not at risk for non-conforming to the risk is low. Another possibility is when the institutional enforcement is low. Challenge means active departure from rules, norms, or expectations than dismissal. It is more negative response than dismissal. Organisations will challenge institutional pressures if they think their structure and behaviour are more efficient than those advocated by the environment. Attack is more of an active and negative response than the other mentioned before. Organisations choose this response if their perceived likelihood of being exposed is low or due to the lack or inadequate knowledge of consequences of non-conformity by the management. In summary, a defiant strategy rejects the institutional requirements and expectations and more likely to occur when the perceived costs of departure are low and divergence of interests between external and organisational values are high.

3.2.5.2 Avoidance (Active/Negative)

Avoidance is an organisation's strategy to attempt to impede the necessity of conformity. There are three tactics for avoidance. Firstly, it may avoid institutional pressures by exiting the context in which rules and expectations are imposed. Secondly, it may attempt to reduce the extent to which it is externally inspected, scrutinised, or evaluated by partially detaching its activities. Thirdly, it may conceal the nonconformities behind a façade of acquiescence, in other words, window dressing. Organisations attempt avoidance when they are motivated by the desire to evade the conditions that make conforming behaviour necessary.

3.2.5.3 Acquiescence (Passive)

This is the primary assumption of institutional theory, i.e. convergent perspective. According to Oliver (1991), there are three tactics in conforming to institutional pressures, habit, imitate and comply. Habit means organisations' unconscious adherence to taken for granted rules, value, norms and expectations. Imitation refers to either conscious or unconscious emulate the successful organisational models in the industry. Compliance refers to the conscious conformity or incorporation of values, norms and institutional requirements. Its key antecedents are high authority, high consistency with organisational goals, high levels of control and high uncertainty in environment.

3.2.5.4 Compromise (Active/Positive)

The conditions under which organisations will attempt to compromise when there are inconsistent institutional demands or conflicts of interests between legitimacy and efficiency. Similar to other strategies, there are three tactics. Firstly, organisations may try to balance by playing institutional sources against each other. It will then balance the expectations of multiple constituents. Secondly, organisations may conform partially with

the expectations of one or more constituents with the hope to sufficiently pacify any threatening actions. Thirdly, organisations attempt to bargain some of the institutional elements while negotiating with institutional sources. These tactics are employed with the intention of conforming to and accommodating institutional rules, norms or values, however, unlike acquiescence, it is more active in promoting self-interests.

3.2.5.5 Manipulation (Active/Positive)

Manipulation is the most active form among the five strategic responses. This is attempted by organisations with the intention to influence or control the institutionalised norms and values. Influence is used to change the institutionalised criteria of acceptable practices. Controlling tactic is used to create power and dominate the external constituents. Co-opt refers to the tactic to neutralise institutional opposition and enhance legitimacy. In these three tactics, pressures and tactics are not taken for granted to be obeyed and defied. In other words, they are actively attempted to be altered, re-created, or controlled by the organisations.

3.3 Developed Theoretical Framework

The following Figure 3-6 shows preliminary theoretical framework, which is derived from using institutional theory and strategic responses to institutional pressures as explained in the previous sections. The model goes further by including 'stimuli' to uncover the conditions under which banks will respond differently rather than acquiescence. Some forms of stimuli are predicted to influence banks' responses to institutional pressures. There has been no research in studying the banks' responses to institutional pressures depending on different mediating stimuli; banks' risk taking behaviour has been associated with many internal organisation factors. As not conforming to institutional pressures in regard to lending can also be seen as a risk taking behaviour since non-conformity itself is putting banks at risk for losing legitimacy in the

industry. Thus, it has been proposed that banks will not conform to all the institutional pressures into their lending practices but would respond differently depending on other stimuli such as the relationship between customers and banks and the type of businesses that borrowers engage in. These factors are derived from banks' lending literature. However, the researcher has also kept open for uncovering other factors that might contribute to the banks' strategic responses.

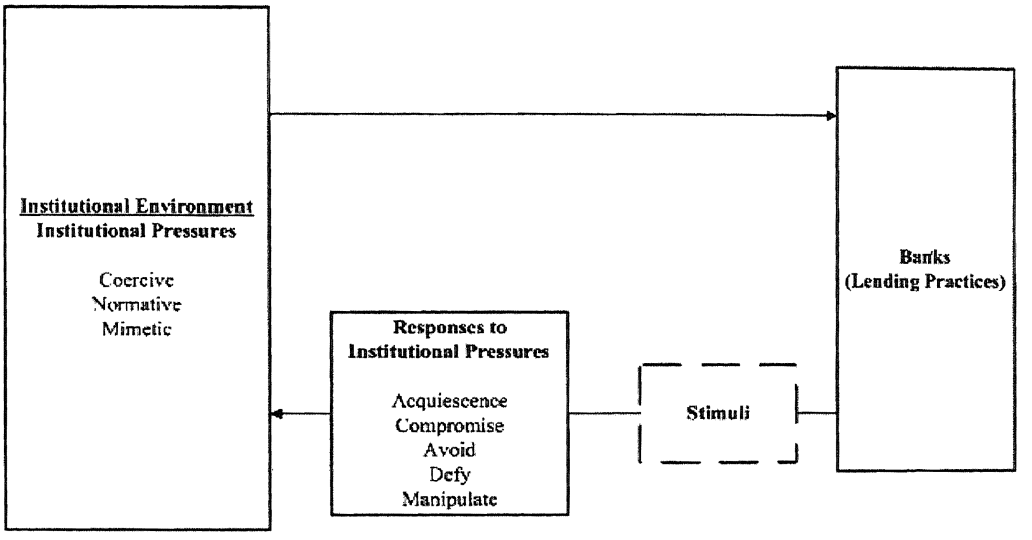

Figure 3-6: Proposed Theoretical Model for Factors Influencing Banks' Lending Practices

This framework allows the researcher to create interview questions and to determine that relevant research questions and areas of concerns for this research. Based on the findings generated from this theoretical framework, Myanmar banks' lending practices can be categorised as explained in the following section.

3.4 Banks' Lending Practices

Though banks consider soft factors such as character and ability of the borrower are important in making credit decisions, margin, requested loan amount and repayment

abilities weighs higher than the former two factors. Similarly, the researchers also distinguish banks' lending behaviour depending on how bankers give importance to hard information into different types. Primarily, these differentiations are based on how banks use collaterals and interest rates as a basic for determining credibility of the borrowers. They are elaborated further in the following sections.

For instance, Berry et al.(2004) categorise banks' lending practices into 'Going Concern' and 'Gone Concern' approaches. The going concern approach is future oriented with emphasis being placed on future cash-generating ability, with the present asset base being seen as a touchstone for arriving at a judgement about the future rather than as the basis of potential repayment. On the other hand, the gone concern approach places emphasis on collateral with the intention of securing the repayment of any borrowing from the sale of the assets and through other security taken in the form of fixed and floating charges, guarantees and restrictive covenants. Douglas and Wildvasky (1982) identify the former as a risk internalisation and the latter as risk externalisation. In other words, how banks handle and manage risks is reflected in their lending practices. These lending practices were explained in details in Chapter 2.

From the institutional theoretical perspective, these lending practices are formed by institutional pressures rather than by the bankers themselves due to the ontological view of risk, i.e. socially constructed.

3.5 Conclusions

After discussing the suitability of a sociological approach suitability for this research due to the unrealistic assumptions of consistency and to focus on lending practices or risk perceptions at the individual level, in this chapter, justifications for the chosen theories are provided. Then, theoretical framework has been developed using sociological theories such as institutional Theory (Scott, 2001) and Strategic Responses to Institutional

Pressures (Oliver, 1991; Etherington and Richardson, 1994) with some modifications made by incorporating stimuli to uncover the conditions under which banks employ different strategic responses.

Chapter Four: Research Methodology

4.1 Introduction

This chapter explains the chosen research methodology in relation to the context, literature gaps, research questions, aims and objectives, and theoretical framework. The detailed explanations of the latter five elements have been discussed previously, however, their influences on choosing the research methodology has not been justified. Therefore, this chapter aims to provide to fulfil this purpose as shown in Figure 4-1.

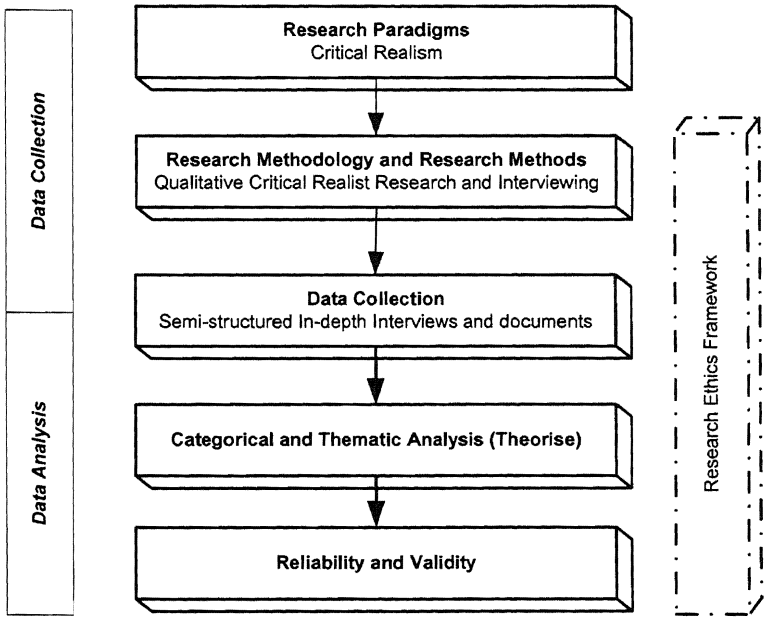

Figure 4-1: Elements of the Research Covered in this Chapter

The chapter begins with setting out the methodology and method adopted to fulfil the objectives of the research and provide the assumptions behind adopting critical realist paradigm and qualitative research methods. The processes of coding and data analyses are also given in addition to providing reliability and validity checks along with the ethical framework that had been followed for this research.

4.2 Research Paradigms

Within the literature review (see Chapters 2 and 3), research paradigms and methodologies were discussed from different perspectives. The actual number of research paradigms and terminologies used for them are hard to be distinguished. For instance, Stage and Manning (2003) have stated that there are two main research paradigms namely positivism and constructivism. The latter is sometimes termed as interpretivism by some authors (for example, Neuman (2000)). However, in this thesis, the term 'interpretivism' will be used instead. Some authors further divide the paradigms into more specific categories depending on their assumptions and underlying philosophies. For example, Neuman (2000) identifies three approaches namely positivism, interpretivism and critical social science, whereas, Guba and Lincoln (2000) have divided into five paradigms, positivism, critical theory, participatory, constructivism and postpositivism. The discussions over the postpositivism or critical realist paradigm will also be based on their classifications of paradigms as they are able to provide more details in relation to qualitative research. Through only identifying positivism and interpretivism does not give broad assumption and does not provide social reality. It is also appropriate to discuss different research paradigms and their epistemological as well as ontological assumptions briefly to provide rationale for 'critical realism' being the most suitable research paradigm.

4.2.1 Positivism

The ontological assumption of positivism is that the world is made of up discrete and observable events (Blaikie, 2009). According to Cohen et al. (2007), positivism should be understood in the framework of principles and assumptions and these assumptions are determinism, empiricism, parsimony and generality. 'Determinism' means events are not independent; therefore, positivists attempt to explore the existence of causal relationships for these events. 'Empiricism' suggests that there should be verifiable empirical evidence to support the claims, for instance, hypotheses. In this paradigm, hypotheses are first developed for empirical testing by the researcher. These hypotheses are established between the variables deducted from theory forming relationships using causal laws. 'Parsimony' means the research is done in the most economic possible way. Finally, 'generalisability' refers that the results from the sample population should be able to generalise for the larger population with minimum errors. The researched individuals are studied on the basis that the social reality is independent and exists regardless of whether we are aware of it. The research methodology in this paradigm is primarily quantitative where the researchers seek measures and "objective" research (Neuman, 2000). Experiments, surveys and statistical methods are used extensively by positivists.

4.2.2 Critical Theory

Max Horkheimer was the first to introduce critical theory in social research (Horkheimer, 1975). Critical theorists view the world as a virtual reality shaped by social, political, cultural, economic, ethnic, and gender values, crystallised over time (Guba and Lincoln, 2000). Thus, not only assumptions are subjective in nature but also knowledge is grounded in social and historical routines which results in value dependent judgements. Guba (1990) states that critical theory is a combination of 'realist' ontology similar to positivism and critical realism, and 'subjectivist' epistemology as the values of the

researcher mediate the inquiry. Research enquiries based on this paradigm are "long-term, ethnographic and historical studies of organisational processes and structures" (Perry et al., 1998). "Dialogic Approach" of methodology is used by critical theorists as to eliminate false consciousness and to get participants to support a common point of view (Guba and Lincoln, 1994, Guba, 1990). The goal of critical theory is 'transformation'.

4.2.3 Participatory Paradigm

Participatory is a 'new' paradigm developed by Guba and Lincoln (2000). It is based on the idea of subjective-objective reality in which participants and the researcher actively participates. Heron and Reason (1997) state that the researcher participates in the research being studied and express a world in four interdependent ways namely, experiential knowing, in which the researcher becomes responsive to the reality through participation and empathetic towards the participants; presentational knowing, in which the researcher is able to symbolise significance of the responsive reality and the image of its world; propositional knowing, in which knowledge gained is expressed in statements and theories; and the practical knowing, in which the researcher is able to demonstrate a skill or competence through the prior knowings. 'Co-operative' inquiry which is a collaborative form of action inquiry of methodology is used. It is two participatory principles namely epistemic and political participations. The former means that any propositional knowledge results from the research is grounded by the researcher's own experiential knowledge. The latter states that the participants have the rights to fully participate in the design of the research. In other words, as asserted by Heron and Reason (1997), "the research is done by people with each other, not by researchers on other people or about them".

4.2.4 Interpretivist and Constructivist or Naturalistic

The term 'interpretivism', 'constructivism' and 'phenomenology' are used interchangeably by some authors (Neuman, 2000, Saunders et al., 2009, Guba and Lincoln, 2000, Howe, 2003). On the other hand, Denzin and Lincoln (2000) identify constructivism as a part of interpretative paradigms. According to them, there are seven interpretive paradigms namely, positivist/postpositivist, constructivist, feminist, ethnic, Marxist, cultural studies and queer theory. Their underlying principle is that 'all research is interpretive; it is guided by a set of beliefs that guides actions' (Denzin and Lincoln, 2000). The main difference between constructivism and interpretivism is that the latter is usually seen as a paradigm (Stahl, 2008). Constructionists hold the view that reality is constructed by the observer. Its underlying assumptions are relativist ontology which means there are multiple realities, subjective epistemology where knower and respondent cocreate understandings and naturalistic set of methodological procedures (Denzin and Lincoln, 2000). This follows the interpretivist position that 'it is necessary to explore the subjective meanings motivating people's actions in order to be able to understand the reality working behind them' (Saunders et al., 2009). Constructivist paradigm is divided into two: 'radical' and 'social' constructivism (Howe, 2003, Stahl, 2008). The former focuses on the knowledge construction of individuals and the latter on social groups'.

4.2.5 Critical Realism / Postposititvism

According to Guba and Lincoln (2000), critical realism is based on the ontological assumption that reality can only be imperfectly and probabilistically apprehendable. Critical realists view the objects of knowledge as the structures and mechanisms that generate phenomena and the knowledge as the product of social activities (Bhaskar, 2008). In other words, reality is independent from our knowledge and cannot be observed. Critical realists differentiate the world into three domains, the 'real', the

'actual' and the 'empirical' (Bhaskar, 2008). The 'real' domain consists of the processes that generate events or causal structures and powers exist independently but have tendencies to produce events under different constellations. The 'actual' refers to the occurrence of events whether they are observed or not. Under the 'empirical' domain, experiences are obtained through observation. In summary, according to critical realism, what we see is not what really has happened. Depending on different circumstances, causal structures can be changed. Thus, the goal of realism research is to explore these observable and non-observable structures and mechanisms of the events (Tsoukas, 1989).

The methodology is primarily quantitative as the researcher attempt to discover, identify followed by describe and analyse the structures and generate patterns (Perry et al., 1998). Guba and Lincoln (2000) have claimed that methodologies of critical realism are associated with modified experimental or manipulative, critical multiplism, falsification of hypotheses, and might also include qualitative methods. Due to its underlying assumptions, regression analysis is inappropriate as it assumes that the dependent variable has zero measurement error. Thus, critical realists also include qualitative methods such as interviews and case studies to triangulate several perceptions of realities in order to understand a phenomenon. Qualitative methodology has only been seen as a supplement for other quantitative methodologies in critical realist research. The relatively small population does not allow the researcher to conduct quantitative research which is used for the purpose of triangulation. However, this does not mean that qualitative methodology being used as the main methodology for data collection. There are other triangulation methods which can be done within the qualitative research. For example, triangulation of different sources of data can also uncover the 'real' and 'actual' accounts. Thus, this paradigm is appropriate within which to conduct research.

4.2.6 The Paradigm for this Research

The definitions of five paradigms have been described in previous sections. However, not all of these paradigms were suitable for this research. For instance, positivist paradigm was not considered as an appropriate paradigm for three reasons. Firstly, the number of banks operating in Myanmar was so limited that it did not facilitate quantitative research which required large samples. Secondly, it was due to the epistemological assumptions of the paradigm. Positivists limited themselves by looking only at small portion of a reality constructing questionnaires which did not allow new questions to emerge during the course of collecting data. Moreover, it was not well suited to answer the question 'why' or the conditions under which the relationships were significant. Thirdly, the research questions were not used to test hypotheses but rather as exploratory purpose.

The paradigm, critical theory was also irrelevant as the research was neither concerned with transforming individuals by eliminating false consciousness nor ethnographic and long-term study. The underlying theoretical framework was 'institutionalism', which was based on 'new institutionalism' and not 'historical institutionalism' which processes and patterns constrained the options available in the innovation of institutions across over time (Thelen, 1999). If the latter were to use as the basis of the theoretical framework, this could account for critical theorists' world view. Similar to the previous two paradigms, the researcher was not part of the organisations being researched though interview questions were prepared with guidance by an experienced banker who was not part of the sample population, this paradigm was not appropriate. In addition the researcher was not given an opportunity to engage in the process being studied, which was required to fulfil the practical knowing of participatory paradigm. Among the two types of constructivist paradigms, radical constructivism was also not suitable for conducting the research as it did not seek to understand how the banks' lending behaviour was the constructs of the past experiences of the banks with the banks with the borrowers.

Instead, this research was based on an institutional theory which relied on social constructivist perspective (Karlsson, 2005) and the researcher was interested in exploring the participants' perspectives on a given situation. Hirsch and Lounsbury (1997) stated that this perspective put little belief in the agency of individuals and organisations. Nevertheless, the researcher had taken into account of banks' role in lending behaviour by recognising technical controls exerted from task environment in the theoretical framework. Since it was an exploratory research and intended to identify the pressures and how these affected the banks' lending practices on a relatively small population, it suited to the qualitative methodological focus of the social constructivist paradigm.

Hence, there were two suitable research paradigms. They were social constructionism and critical realism. Social constructionism was more closely interrelated to institutional theory while critical realism was a new perspective that was used by institutional theorists for conducting research. First of all, one of the reasons was the application of institutional theory in this research. Social constructionist perspective had usually been associated with institutional theory (Nilsson, 2003). It focused on the social processes through which how organisations interacted with macro forms of coercive, normative and mimetic pressures with the assumptions that organisations' behaviour and processes were shaped by these pressures. In other words, both institutional theory and social constructionism assumed that there was only one direction of causal mechanism. However, the society itself was not the product of institutions developed with logics independent of the choices of individuals (Edwards, 2006). Critical realism could fulfil this gap as it aimed to discover not only empirical regularities but also irregularities with much emphasis on under the conditions in which these would take place. Though critical realism did not lend to researcher to focus much on external pressures affecting banks' lending behaviour, by integrating critical realism and institutional theory, it would allow the researcher to study from both directions as the former also gave attention to the role of agency while the

latter focused on institutional environment. A brief summary of these explanations were visualised as in the following Figure 4-2.

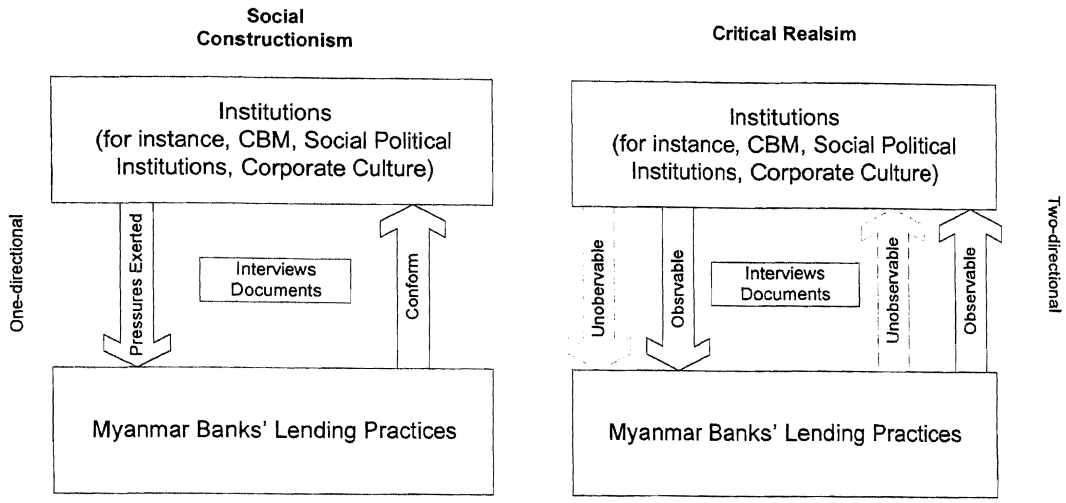

Figure 4-2: Perspectives from Two Different Competing Paradigms (Developed by Author)

Secondly, the convergent view of institutional theory suggested that organisations conformed to pressures exerted from institutional environment to gain legitimacy. It had not taken into account of banks not conforming to these pressures for attaining profitability and efficiency measures. In other words, divergent view had never been associated with institutional theory and neither did social constructionist perspective. Legitimacy was important, however, it was context dependent (Edwards, 2006). Acharya (1999) had also advocated critical realist perspective over constructivism by stating that co-operation with institutions depends on calculations of gain and loss. From this view, constructivists did not recognise 'strategic interaction'. Banks in any circumstances would have their own ways of attaining efficiency, therefore, by only concerning that banks would conform to these pressures just to achieve legitimacy would be misleading.

By applying institutional theory to study banks' lending behaviour from critical realist perspective, the researcher might study from multi-level view of reality by recognising

complexities of banks' lending and the inter-play between banks and institutions. In this thesis, strategic responses of banks to institutional pressures were studied to provide understanding of whether their lending practices were the result of obtaining legitimacy or efficiency, in other words, to know if agency existed.

4.3 Exploratory and Qualitative Research

After considering critical realism as the most appropriate paradigm for this research, the research methodology that would be used to conduct the research needed to be identified. Depending on the purpose of the research (Neuman, 2000), there were four different types of research. They were exploratory research, conducted into a research problem or issue when there were very few or no earlier studies to which we could refer for information about the issue or problem; descriptive research, conducted to describe phenomena as it exists; analytical and explanatory research, a continuation of descriptive research which aimed to describe the characteristics, analysed and explained why or how the phenomenon being studied was happening; and predictive research, further than explanatory research, where an explanation for what was happening in a particular situation.

The aim of this type of study was to look for patterns, ideas or hypotheses, rather than testing or confirming a hypothesis, therefore, an exploratory research design was applied. Though Myanmar had been undergoing banking sector transformation, the interplay between banks and institutions had not been studied before. In other words, effective regulatory policies in relation to Myanmar's financial sector had not been explored. In addition, in this type of research, it was expected that additional future research would be conducted to provide conclusive proof of the phenomenon. Therefore, in accordance with the purpose of this research and its focus was on resolving a problem that had not been the subject. It was also undertaken to provide greater understanding of a concept or to

clarify issues. It had three primary purposes, diagnosing a situation, screening alternatives; and discovering new ideas (Zikmund et al., 2009).

Such types of exploratory research may be more suitable with qualitative research because qualitative researchers were more interested in studying people not as objects but as creative and compassionate living beings, taken from 'transcendent perspective'. They aimed to gain deeper understanding of people's emotional responses with rich and detailed descriptions than measurement. Qualitative inquiry was associated with answering 'what', 'how' and 'why' questions (Holstein and Gubrium, 2005, McGivern, 2005). One of the strengths of qualitative approach was being able to reflect on the whole research process and on specific steps from the outcome resulting from other steps (Flick, 2009). In other words, a researcher's interpretation of the data collected was tested by further examination and checking as required while examining his role in the construction of meaning (Pyett, 2003). In other words, the researcher was more involved in qualitative research than in quantitative research (Denzin and Lincoln, 2000, Neuman, 2000). In both of these research methods, although the researcher's individual attributes and perspectives, such as theoretical position, interests and political perspective would have effects in determining research questions, the methodological approach, and data analysis and interpretations (Finlay, 2002), these remain unstated or hidden in quantitative research and acknowledged in qualitative research (Pyett, 2003). Therefore, the researcher's skills, insights and capabilities play crucial roles in this approach.

Another method advocated by critical realists was 'mixed methods' as they believed that reality could not be known unless they were gathered using different sources or methods. These advocated try to use both methods to complement each weakness through another's strengths. Bryman (2012) mentions different purposes of doing mixed methods research. The main six rationales are triangulation, for greater validity; offset, to complement each method's weakness with another's strengths; completeness, to provide comprehensive

account of the area of enquiry; process, to provide both elements of quantitative research's account of structures in social life and qualitative research's ability to provide sense of process; to answer different research questions as all of them cannot be solved using one method; explanation, to explain findings generated from one research method by another; and unexpected results, surprising outcomes from the research could be explained by another research method. According to Bryman (2012), triangulation was the main purpose for using mixed methods research. It could differentiate into data, observer and methodological triangulation (Robson, 2011).

Some of the advantages for using mixed methods were it gave more comprehensive account of the thing being researched, clearer links between different methods and the different kinds of data, and a practical problem driven approach (Denscombe, 2007). However, it was also attached with some disadvantages. The combination of these two methods required the researcher to collect extensive data collection. As a result, significant amount of time was needed to be devoted to analyse both numeric and text-based data. Therefore, the time, and costs of the research project increased. As it required the researcher to be proficient in more than one research method to conduct mixed methods, it created the possibility of researcher missing the expertise in both of them (Denscombe, 2007). Another limitation was the conflicts in philosophical basis.

The factors needed to be considered apart from methodological complexities according to Mason (2006) were power, status and inequalities within and between teams, and for individual researchers and between disciplines and fields of interests; constraints and opportunities of research funding; responsibilities to and expectations of funders and other stakeholders; access to an ownership of data; opportunities for collaboration, for sole working, for authorship; and different purposes and audiences.

Though all the above discussed methods could be used in exploratory studies and under critical realist paradigm, this research had chosen qualitative research method. First of all, statistical models were used to test theories in contrast to qualitative research which tends to be inductive. Thus, it was constrained within the framework tested and gives little scope for new concepts to be emerged. To gain wider understanding of the relation between institutional environments and banks' lending behaviour had recently been recognised (Lane and Quack, 2002), thus, in addition to the quantitative, correlation approach, qualitative inquiries were needed to explore complex phenomenon (Robling et al., 1998).

Secondly, their research papers were based on economic theories which conceptualised decision makings of individuals are rational (at least within the limit of 'bounded rationality'). They had ignored to study how banks' lending practices were influenced by and how credit risks were managed in their decision making. In addition, most of the research in finance had implicitly assume that individual decisions were made without interaction and are accomplished without any other individuals' influences (Schindler, 2007). However, from sociological perspective, "risk" was not something objective that could be measured using statistical models, instead, it was a subjective fact created by banks themselves within institutional environments, thus, different forms of risk assessments exist in different institutional environment (Lane and Quack, 2002). A researcher could achieve critical realist requirements through gathering information from different sources regardless of whether they are qualitative or quantitative in nature. The types of data used in this research would be explained more in details in the following section.

4.4 Criteria for Research Quality

The main issue of social research is to evaluate the research process due to two main concerns. The first one being whether the findings of the study were valid and reliable and the second one was the extent to which the findings were useful to understand similar process in other situations and organisations than those previously studied. Qualitative research usually confronted the issues of validity and reliability in the findings (Barrett et al., 2002). Unlike quantitative research, qualitative inquiry lacked the certainty of hard numbers and values, thus, it had been criticised by many researchers (Miles and Huberman, 1994). Quantitative researchers could address these issues through techniques such as random selection of participants and the use of controls. Altheide and Johnson (1998) stated that reliability and validity are terms only pertaining to quantitative paradigm and could not be extended to qualitative inquiry. On the other hand, some suggested means and criteria for determining reliability and validity to ensure rigour in qualitative research (Rubin and Rubin, 1995, Lincoln and Guba, 1985). Lincoln and Guba (1985) proposed four alternative constructs namely: credibility, transferability, dependability and confirmability.

Hence, qualitative researchers had incorporated different strategies to attain trustworthiness such as peer debriefing, prolonged engagement, audit trails and member checks (Lincoln and Guba, 1985). These types of strategies were classified as "post-hoc evaluation" by Barrett et al. (2002). They assert that rigour did not depend on special procedures external to the research process but were established during the research process. They had identified five verification strategies[6] to assist the researcher identify

[6] the process of checking, confirming and making sure and being certain or the mechanisms used during the process of research to incrementally contribute to ensuring validity, and thus, rigor of study BARRETT, M., MAYAN, M., MORSE, J. M., OLSON, K. & SPIERS, J. 2002. Verification Strategies for Establishing Reliability and Validity in Qualitative Research. *International Journal of Qualitative Methods,* 1, 1-19.

when to continue, stop or modify the research process in order to achieve reliability and validity.

- Methodological Coherence – the existence of congruence between the research question and the components of the method. Thus, the researcher must ensure that the method chosen should not only match the question but also the data and analytic procedures. For instance, this research was aimed at exploring banks' responses to institutional pressures. This could not be identified through assessing quantitative data; therefore, qualitative research methodology was applied.

- Appropriate Sample – selecting the participants who best represented or had knowledge of the research topic. For instance, lending decisions were made by senior management levels in Myanmar. Therefore, interviewing loan officers as suggested in literature was not suitable. Hence, senior managers were chosen as the appropriate sample for this study.

- Collecting and Analysing Data Concurrently – it forms a mutual interaction between what was known and what one needed to know. Data were systematically checked, the scope of research was maintained, at the same time, the fit of data and the conceptual work of analysis and interpretation were monitored and confirmed. Thus, the researcher needed to go back and forth between design and implementation to ensure that there was congruence in question formulation, literature, recruitment, data collection strategies and analysis. For example, during the interview, I tried to make sure that necessary information was obtained for answering research questions. If not, questions were rephrased until, the required information was gathered.

- Thinking Theoretically – ideas emerging from data were confirmed in new data. For example, this research primarily utilised institutional theory, however, after

the first stage of interviews, another theory which was Oliver's strategic responses to institutional pressures was integrated in the theoretical framework to provide comprehensive data analysis.

- Theory Development – to move with deliberation between a micro perspective of data and macro-conceptual/theoretical understanding. For instance, though this research had a theoretical framework, data analysis was not confined within it. New themes were also allowed to emerge for theory development.

Healy and Perry (2000) stated that the quality of a research was to be judged within its own terms according to which paradigm it belonged to as each paradigm due to its own ontological, epistemological and methodological assumptions. As the measurement of quality was concerned, it could not be independent of positivistic criteria and some of these could overlap with qualitative criteria as the former was developed much earlier. For example, the concept of dependability is closely corresponded to the notion of 'reliability' in quantitative research (Golafshani, 2003). Detailed descriptions of maintaining quality in the study will be given in the following sections.

4.4.1 Reliability

Dependability was used interchangeably as an alternative term to reliability (Holloway, 1997, Lincoln and Guba, 1985) and consistency (Ihantola and Kihn, 2011). Similarly Ritchie and Lewis (2003) stated that due to the nature of qualitative research, the terms confirmability, consistency or dependability were often preferred compared to reliability. It was generally understood as if another person were to conduct and examine the work; he should be able to come to similar conclusions. The key questions to ask are: "Are the results believable?" (Pitney and Parker, 2009, p. 63) and "Did we 'accurately' capture/represent the phenomenon or attribute under investigation?" (Tashakkori and Teddlie, 2003, p. 694). In other words, it was related to a situation where another

researcher conducting the same study by following the same procedure would arrive at the same results or findings as in original research. Strauss and Corbin (1998) states that it was difficult to reproduce social phenomena in qualitative research was difficult due to inability to replicate the original conditions for data collection.

Therefore, it was suggested that attempts should be made to provide steps of the research process transparent by providing the detailed descriptions of the data analysis procedures, identifying the archetypes and empirical pattern, as well as providing a chronology of research techniques. Many of the researchers had recommended audit trail to establish dependability (Tobin and Begley, 2004, Lincoln and Guba, 1985). In audit trail, others can examine the researcher's documentation of data, methods, decisions and end product.

Following this advice, participants were carefully selected, description and application of my research instruments, data collection procedures were presented. I also kept the original field notes for future reference. Audit trail categories, file types and evidences were presented in this thesis according to Lincoln and Guba (1985). They were described in the details and also in a rigorous manner to persuade the reader that the study was dependable (Creswell, 2009, Lewis, 2009a).

4.4.2 Validity

According to Maxwell (2004), there were three types of validity criteria in qualitative research: descriptive, interpretive and theoretical validity. Descriptive validity concerned over the accuracy of data, the primary aspect of validity, which the other two, interpretive and theoretical validities dependent on. In this research, it was achieved through several procedures, though interviews were not recorded but as taken as notes, they were confirmed with the informants at the end of each interview to make sure that the recorded notes reflect their opinions, and then, additional sources were used. Moreover, the

research process was made transparent. This is similar to the reliability of the research process as mentioned above.

Interpretive validity means the correspondence of the description of a phenomenon studied to the perspective of those experiencing the phenomenon (Maxwell, 2004). In order to achieve this interpretive validity, two procedures were to be followed: reflecting upon the researcher's role and careful data treatment. Firstly, the researcher's familiarity with the context and frame of reference can be considered as both strength and a source of bias influencing the analysis. In addition, an initial unfamiliarity with data sources was regarded as an advantage and a weakness. The advantage was that the researcher was able to go into the field studied with open mind. In contrary, it could also be a weakness as the information might be easier to obtain as an insider to the organisation. Secondly, the data were treated with prudence, i.e. checking for inconsistencies in coding. Inconsistencies in coding over time had been accounted for by using coder consistency test (Richards, 2009). This was the most suitable method for this research during the data analysis stage as there was no possibility of having other researchers coding the same data due to their lack of knowledge in the research context and area.

Theoretical validity meant the validity of the concepts being applied to the phenomena as well as the validity of the postulated relationships among the concepts (Maxwell, 2004). This was similar to Vaus' (2001) explanation of theoretical generalisation. It was accounted for by developing a theoretical model, theoretical sampling and providing variations of the research study and the theoretical explanation. Thus, during the research process, any disconfirming or other explanations of the phenomenon observed and studied were searched for. Thus, it had improved the clarifications for the concepts during the course of the study. If the data was consistent with the way the theory predicted, the researcher could be confident about the theory. In contrary, if the results did not accommodate the way the theory predicted, the theory shall be modified. Hence, in this

research, institutional theory had been primarily used to study the institutional pressures exerted on the banks' lending process, after the first few interviews, some of the contributing factors emerged; therefore, new propositions and concepts from Oliver's strategic responses to institutional pressures were incorporated to the framework. It also included finding negative evidence by comparing findings with those of other empirical findings. They are provided in the discussion chapter of the thesis.

4.5 Data Generation

In this section, detail of interviews and written documents used to collect data to be able to analyse in-depth at the later stage are provided. Primary data were generated from interviews due to the lack of availability of data in written forms. Other written documents used in this study are collected from CBM. They were both analysed using the framework developed through incorporating two theories, institutional theory and Oliver's strategic responses. As mentioned in previous section, having unable to obtain data due to the researcher's status and ownership of data, written documents such as their policies were unable to be obtained. Moreover, some of the strategic responses employed by the bank managers would not be written down in official documents or made publicly available since not only banks but also the central bank itself were not transparent. Thus, depending on the interview questions and answers, some of the data had to be accepted as it was. Nevertheless, the researcher was able to obtain some annual reports from banks which enabled to compare the responses given by the participants.

In this study, from critical realist philosophy, in order to recognise agency, it had used theoretical triangulations for analysing data. They were two theoretical perspectives, one which gave micro level (Oliver's strategic responses) and macro level (institutional theory).

4.5.1 Written Documents and Data

There were some challenges in fulfilling these critical realist requirements. The main problem was gathering these written documents. Myanmar banks were opaque and no rules or laws were set by the banks to provide transparency to the general public, financial statements for limited number of bank were able to be obtained. This had led the researcher to gather information from the CBM. At the same time, the data attained were cross-sectional and did not reflect the period when the research was conducted. Therefore, some official announcements by CBM and the government were also used as to fulfil these critical realist conditions.

Though written sources were not used for primary data collection, they were essential for comparison purposes. For instance, it could provide the efficiency and effectiveness of the strict regulatory requirements (see Chapter Five). Since the banks did not provide annual reports or publish them publicly, the researcher was able to obtain some data on sectorial-wise loans provided by the banks over four years from the CBM. They were used to identify discrepancies between how the banks lend and their actual lending patterns are compared. Other written sources were mainly used to understand the banks. Such sources included newspapers and articles. It served as an important role in the analysing and providing recommendations. These data from written documents provided the basis for understanding the banks' risk taking behaviour, the development of interview questions and sample selection criteria. Some of these written documents provided the researcher with cross-sectional data on capital adequacy ratios, liquidity ratios, non-performing loans, etc. From these types of data, the researcher was able to understand banks' risk taking behaviour.

4.5.2 Interview

Patton (2002) identified three main types of research informal conversational interviews (unstructured), no predetermined question topics or wordings. Interviews were built on and emerge from observations; interview guide approach (semi-structured), the interviewer decided the sequence of questions; it had predetermined topics and issues to be covered while he/she remained fairly conversational and situational; and standardised close-ended interviews (structured) – there were exact wordings and sequence of questions which were determined in advance.

In this research, semi-structured interviews were used to collect data. There were three main reasons for choosing this approach. First of all, unlike unstructured interviews, the researcher had control over what topics were covered and how the questions were asked. In other words, the data collection process was more systematic. Interviews with the senior level managements who were involved in constructing lending policies were the main method used for collecting data in this qualitative research. It allowed the researcher to gather data that could not be observed (Holstein and Gubrium, 2005). This was particularly relevant in this study which used critical realist paradigm whose purpose was to identify 'actual' event. Hence, due to the nature of participants in this study, who were senior level managers and with limited time, it was better to have interview guide make the most of the time at the researcher's disposal.

The interview questions were derived from the research questions and themes as provided in Table 4-1. The interview questions were presented in a way highlighting the logic linking the interview questions to the research questions and the research themes suggested by the theoretical framework and the related literature. The interview guide contains 30 questions, some of them were repeated as to achieve confirmability (section), developed from seven themes. As this is an interdisciplinary study, it might seem

appropriate to identify the research themes based on institutional theory and Oliver's strategic responses. However, one should not ignore the fact that its main study was on banks' lending behaviours and how they were institutionalised and the methods by which they were responded by the banks. Hence, the themes should be based on the banks' lending practices and not on theories. They could be termed as the step-by-step guide in which the lending decisions were made by the banks. The definitions of these themes were explained as in Table 4-1.

Table 4-1: Definitions of Research Themes

	Research Themes	**Meaning**
1.	Loan Allocations	The theme focuses on the process or the criteria by which banks allocate their financial resources in the first instance. In other words, the first stage of screening loan applications.
2.	Loan Specifications	Banks' investment size (size of loans), terms, securities, and pricing
3.	Methods of Allocation and Internal Policies	The banks' internal policies and criteria for allocating financial resources.
4.	Process Symbols	The process by which the lending decisions are made.
5.	Examination of the Process of Preference and Identification of Lenders	This theme is to identify banks' risk taking levels. In addition, it allows the researcher to assess the type of lending practices, transactional or relationship lending.
6.	Underlying Values	The banks' underlying values and norms for making a lending decision. It is also used to identify where and how they are created.
7.	Efficiency or Legitimacy	This research theme is related to the theoretical framework which is developed in chapter three. It is used to identify whether the decisions made by the banks reflect their efficiency or legitimacy criteria.

The purpose of dividing the interview questions into research themes was to ensure comprehensive and consistent coverage in each theme under study (Yin, 1994). Through the research themes, the questions enabled existing theories and guiding research questions as a blueprint, yet it allowed participants to elaborate on issues that they think are relevant to the study (see Table 4-1). This design was required to allow specific questions and directions of the interviews to evolve contextually. It also helped lay a solid foundation to facilitate data collection and analysis of the study.

The sample selections of interviewees were not as straightforward as it might be seen or presented. It required trial and errors during different stages of data collection processes. This will be further explained in the following section.

Table 4-1: Interview Questions and their Related Research Questions

Research Themes	Interview Questions	Research Questions
Loan Allocation	1. In your bank, when do businesses apply for loans? (for example, start-up or on-going)	R1 R2 R3
	2. When do you think that it is the most important for businesses to apply for loans?	
	3. Does the bank differentiate businesses into sectors? On what basis do you break them up?	
	4. Do you regard any of these sectors more important than the other? If so, what are the reasons for this?	
	5. Does the bank decline to support certain sectors, for example, industry, services or other? Why?	
	6. What sorts of documentations are required for businesses to apply?	
	7. What are the pre-screening criteria for banks to reject applications in which you would automatically reject applications? If so, could you elaborate and give some examples?	
	8. What is the maximum amount of credit that individual loan applicants can get? How does the bank deal with firms that require large amount of credits that exceed limit of the team or individual?	
	9. How are the data protected? Is that an internal or external policy?	
	10. Does the bank have other external pressures that it has to lend to certain types borrowers and business sectors? (Will be questioned in different ways depending on the interviewees and the circumstances)	
	11. How does the bank market credit for businesses? Is there any government legislation regulatory requirements or requirements that require the bank to encourage business growth? Could you	

	expand on these areas?	
Research Themes	**Interview Questions**	**Research Questions**
Loan Specification	1. Does the bank have minimum premium charge / service charge on a loan? Can you override the standard or is it strictly regulated?	R1 R2
	2. Are you allowed to increase or decrease the interest premium and service charge if you think the targets set by the bank may be high for the loan applicants?	
	3. Does the bank consider personal decisions of loan officers?	
	4. Are there any reward systems for staffs? If so, how do you reward them?	
	5. Do you have any independent investigators or other externals to verify the credibility of loan applicants?	
Methods of Allocation and Internal Policies	1. What information should the borrower bring with them at the initial stages of the interview? Is it documentary evidence, history, or bank statements - can you elaborate on the particular bank's practices?	R1 R2 R3
	2. How do you determine if the information obtained through evidence is factual? Can false documentation arise at initial stages - do you have a filtering policy, or do you accept documents at face value? What instances have loans for development or investment has been turned down because of limited information? If so, could you elaborate?	
	3. Does the bank stick to locality or can anyone from any locality walk into the bank and apply for credit? Do you have referral policy to keep businesses in a regional or segmented location?	
	4. Does the bank have to compete for business with sister branches, or is there a policy which keeps business banking local?	
	5. Does the bank use internal guidelines, or are the guidelines driven externally or centrally - could	

	you expand if this is the case?	
	6. What is the tax rate?	
	7. Do you change some of the internal policy guidelines for some of the borrowers? What are they?	
Research Themes	**Interview Questions**	**Research Questions**
Process Symbols	1. Does the bank have teams which are organised and which aim towards the overall bank's aim, for example, does the bank have objective meetings? Do you personally agree or disagree with some policies?	R1 R2 R3 R4
	2. Can you make personal judgements, a feeling about something, say you simply have a hunch about the borrower, do you decide personally? Alternatively, are there procedures, documentation to stop your views influencing this process?	
	3. Is there conflict amongst the employees?	
	4. How would you describe the process of lending in terms of the banks' desires and aims?	
Examination of the Process of Preference and Identification of Lenders	1. How do you identify risky borrowers? Does the bank have pre-determination of sifting risky borrowers? If so, what does the bank do to minimise the risk?	R1 R2 R3
	2. Do you have predetermined amount allocated for lending? If this is the case, how do you discriminate between borrowers, are there any internal policies for identification? Could you elaborate?	
	3. How do you determine preference to existing account holders who wish to start their own business?	
	4. How do you determine preference, do you for example prefer limited organisations, proprietorships or others?	

Underlying Values	1. Are you able to exercise influence over credit allocation based on your personal values or do you follow the bank's culture (senior staffs, policies, etc)?	R1 R2
	2. Are there any policies in place which exclude certain businesses on moral/ethical grounds? If so, what are they and why?	
	3. If there is a new staff, are there any in-house induction? What is the process?	
Research Themes	**Interview Questions**	**Research Questions**
Efficiency or Legitimacy	1. How do you feel about your bank' lending performance?	R4
	2. Do you think you will be able to lend more or to different sectors and different stages of businesses (eg. Start-ups) if you were able to set your own policies without much influence from external environment?	
	3. Are there any policies (both external and internal) that you think might be better off for the banks if they were changed? What are they and how do you think they could be changed?	
	4. Does 2006 financial crisis has any effect on the internal and external policies? If yes, how have they affected the lending policies? Do you prefer the policies before or after the crisis?	

4.5.3 Data Collection Process

The following diagram Figure 4-1 shows the primary data collection process for this research. In order to complete answer the research questions, data were collected mainly in two stages. However, initial pilot studies were also made to test the feasibility of the interview questions to gather required data. In-depth interviews were the major data collection method to capture the influences that the banks had in lending to businesses. Pilot studies were done over the period of July – August, 2010. The participants were informed that the interviews would not be more than one hour in length. Participants were explained the intent and purpose of the study before conducting the interviews. Banking literature suggested the research to study loan officers if the processes by which banks' lending decisions were taken place. I chose to conduct the first pilot study with a professor at the university who had extensive practical experience in banking sector. Afterwards, an analysis was done using NVIVO and manual coding. Then, interview questions were revised as some of the required information was not captured during the interview.

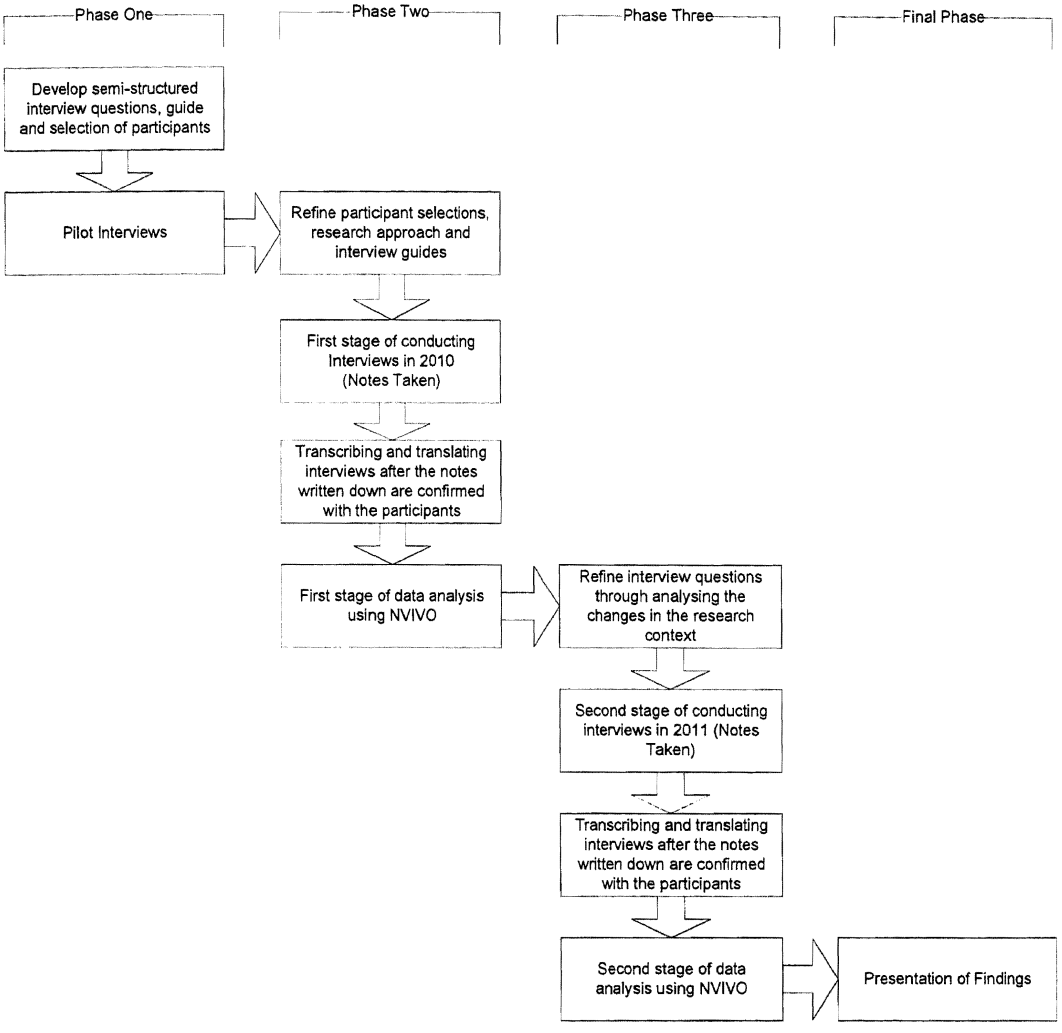

Figure 4-1: Summary of Data Collection Process

Afterwards, another three pilot interviews were conducted in Singapore in order to make sure that whether the contextual factors could influence the interviewees in responding to the questions. In other words, this is to test the applicability of the interview questions and techniques in the different context. In addition, the small number of banks operating in Myanmar does not allow the researcher to use them in pilot studies as going back to the same bank would be impossible. They were two Singaporean banks and one Taiwanese bank operating in Singapore. In all of these cases, the interviews were done with loan officers. This step further enhanced me in conducting interviews and improved interview questions. As these data were not related to Myanmar, the results were not presented in

this thesis. After all these pilot studies were done, I started my field work in Myanmar. They were done in two different periods, 2010 and 2011. Written documents were also collected during those periods because they could not be obtained all at once. They will be elaborated further in the next sections.

4.5.3.1 First Stage of Data Collection

It was important to divide the data collection process into two stages as each stage was taken place in different periods which had potential impacts on the banks' lending decisions. As the main aim of the study was to explore the effects of institutional environment on banks, it was necessary to provide descriptions of the research context in different stages of data collection process. The first stage of data collection was taken place in the period of July to August 2010. This was a period where the people were anticipating changes in the political and economic environment as Myanmar's first general election under new constitutional referendum. Thus, it could be described as the period before Myanmar's reform. However, since then, some of the changes such as four new banking licenses being issued by the CBM. Therefore, some interview questions were added as to study the existing banks' perceptions on the increased competition in the banking sector and anticipated effects on their banks' performances.

At the first stage of the interview in Myanmar, I contacted the banks directly, and they declined the request to participate in the research. However, again, the banks were contacted through the Central Bank, out of five contacted, four of them agreed to participate. They were three private banks and one government-owned bank. The participants were managers at high level involved in developing lending policies and loans decision making. Despite of having requested to interview other loan officers within the bank, the researcher finished the interviews only with one participant in each bank.

However, this did not have significant effects on quality of the data as these participants were extensively engaged in banks' lending decision making processes.

From the experience of the participant selection in the first stage of interviews, I was able to select appropriate participants for the next stage. Primarily, interviewees were selected based on the literature suggestions. This showed no issue in the pilot studies both in the UK but also in Singapore. However, when the study was replicated in Myanmar, i.e. choosing loan officers as research participants, they could not provide required information. They were approached by the researcher informally as potential research participants. From informal discussions with them, the participant selection criteria must be changed if the research aims and objectives were to be accomplished. There were two reasons for arriving at this judgment. One of the issues was their lack of involvements in lending and policy decision makings. Secondly, they were not ready to give comments on the processes within the banks without the approvals from their line managers. Therefore, in the end, I concluded that even if these loan officers were allowed to give interviews by their managers, it could assure that the responses would not be distorted with the fear and bureaucracy. It could be comparable to snowball sampling where research participants referred another to the researcher for further interviews. This was a method developed for the purpose of this study only, due to the complex contextual environment and unavoidable limitation

4.5.3.2 Second Stage of Data Collection

The second stage of interviews was conducted in the period of July – August 2011. The overall institutional environment has changed with new policies and some restrictions are relaxed on the banks, especially with the types of collateral requirements. After reviewing the results from the first stage and the changes in the institutional setting, interview questions were revised. One of the previously interviewed banks was revisited. This

enabled the researcher to compare the differences in perceptions of increased competition before and after the start of the four new banks' operations in the late 2010.

Other pre-existing eight banks were interviewed. Similar to the first stage of interviews, only higher level managers were selected as interview participants as they were engaged in banks' policy making and lending approval processes. In this stage, ten interviews were conducted. The profiles of the participants will be further explained in the next section.

4.5.3.3 Interview Subject Population

For this research, 14 interviews were undertaken with 12 banks. The sample size might seem modest, however, with respect to the population, with only 19 banks operating and engaging lending activities, the data collected from 12 banks represent more than half of the research population. Despite of being said that the main aim qualitative research is not generalisation, the sample size was comprehensive and representative and complies with Patton's (2002) sample size tests of usefulness, credibility and availability of personnel.

Table 1-2: Interview Subject Population

Type of Banks	Population	Sample Size	Number of Interviews
Government-Owned Banks	4	3	3
Semi-Government Banks	10	5	5
Private Banks	5	4	6*
Total	**19**	**12**	**14**

*Two interviews each for two banks are conducted

From the above Table 1-2, it could be argued that there were 23 banks; however, the sample size was based on 19 banks. It should also be noted that this research is conducted

over the period of late 2009 to 2011 while the four new banks had just started their operation only in the fourth quarter of 2010. Due to their limited activities not only in lending but also in other operations, it was irrelevant to take them in the population being studied. Nevertheless, banks' perceptions on expected prospects for higher density of competition were being asked during interviews.

Interviewees' Profiles

When discussing the subject population, it had two objectives. Primarily, it was to maintain the subject anonymity. Secondly, it was to give justification of the relevance of population to the research being undertaken. However, at times, these two objectives caused some difficulties. For instance, the detailed information regarding the interviewees (e.g. their job descriptions) were unable to be provided though it might strengthen the analyses and arguments. Similarly, providing the bank sizes would improve the analyses of the collected data. On the other hand, inclusion of such information would allow the readers to identify the interview subjects. In addition, Myanmar's financial system was significantly smaller than other countries', therefore, providing such information did not help the researcher to maintain subject anonymity.

Table 1-3: Abbreviations and Type of Banks

Type of Banks	Abbreviations	Frequency of Interviews for each Bank	Interviews are Conducted in
Government-owned Banks	G-A	1	2010
	G-B	1	2011
	G-C	1	2011
Semi-government Banks	S-A	1	2011
	S-B	1	2011
	S-C	1	2011
	S-D	1	2011
	S-E	1	2011
Private Banks	P-A	2	2010/2011
	P-B	2 participants x 1 interview each	2010/2011
	P-C	1	2010
	P-D	1	2011

Government-owned and private banks were denoted with letter 'G' and 'P' respectively while those banks with the government's stakes were with 'S'. The frequency of interviews for each bank was one except P-A and P-B. At P-A bank, the first interview took place in 2010 while the second in 2011. Similarly, at P-B, two interviews were conducted in both 2010 and 2011, but with different participants.

As described in Table 1-3 and Table 1-4, the interview population consisted of 13 individuals. All participants were engaged in developing and implementing lending policies in addition to providing lending decisions. An individual profile of each

participant is not provided, as the population was relatively small, and the seniority and characteristics varied, such a profile could provide several points of reference for the identification of individuals. The following Table 1-4 displays the characteristics of the participant group.

Table 1-4: Characteristics of Interview Subject Population

Number of Participants	**14**
Job Level	2 Manager
	5 General Manager
	1 Senior General Manager
	1 Executive Director
	2 Deputy Managing Director
	2 Managing Director
	1 Deputy Chairman
Job Role	6 Strategy/direction of lending policies and activities
	6 Management of lending activities
	1 Assist lending activities
Years of Experience	+10 years

The participants were selected on the basis of the results from pilot interviews. From the pilot interviews in Myanmar, it was found that no useful and required data can be obtained from lower level managers, therefore, in the data collection stage, only higher level managers who are engaged in developing banks' lending policies and decision making. The interview subject population had detailed involvement across the policy

makings. This includes strategic lending policies and overall decision makings. All participants had over ten years of experience in banking activities. From the table, it can be seen that the lowest job level of participants is 'manager' while the rest are senior level managers. As the industry has a bureaucratic organisational structure, it is only acceptable to engage with interviewees at senior levels. Moreover, all these participants had significant experiences and technical proficiencies in providing meaningful insights into their perceptions and attitudes towards banks' lending practices.

All the interviews were taken place in the afternoon when they had finished their professional duties. The locations were in their respective banks which were main offices in Yangon (the commercial centre of the country) where all the lending decisions took place though the choice of interview location was left for the participants to decide. This was to provide interviewees with comfort and to create appropriate rapport with the researcher. Similarly, constant observations on the signs of interviewees' discomfort were monitored to prevent them from not disseminating valuable data for the research. This was avoided by pausing taking notes and listening only to the interviewees' responses. The process by which the note-taking was done will be elaborated in the next section.

4.5.3.4 Note-taking

The data collection process comprises of two stages. First interviews were taken place in 2010, then, in 2011, second set of interviews were made with different set of participants except one being repeated again. To encourage interviewees in giving data confidently, I had not recorded the interviews. Primarily, it was the interviewees who declined the conversation to be recorded. Other factor that had been taken into account is the culture. People in Myanmar did not prefer their conversations to be recorded due to confidentiality issues. Even if they allowed the researcher to take recording, there was a very good chance that some of the important information would not be disseminated since

it could be perceived by the interviewees that it would be later used as evidence against them even though if the researcher gave assurance to them stating that everything would be kept confidential. After careful considerations of these factors, a decision to take extensive notes was made. Even then, at times, I had to stop taking notes as the other participant seemed uncomfortable and stopped answering certain questions. Presumably, the participant felt that I was recording word by word what was being said. Thus, the formality of writing and recording conversations had indicated to divert conversations between the researcher and interviewees greatly in the study. Alvesson (2003) also supports this by stating that note-taking, especially with tape-recording, could disturb the situation and irritate and domesticate participants if the researcher was active in the situation which also created detailed notes-taking difficult. Unlike, the author said, the methodological reasons for being hesitant about taking notes was not only because the researcher was active but also my consideration towards cultural factors that could affect interviewees' disseminating sensitive issues and their real feelings.

It was difficult to conduct interviews and take notes simultaneously. Moreover, data analysis was also taken place at the same time. For instance, the interviewees' responses were analysed during the conversation whether they provided the information being asked. If not, further questions were asked to get the required information. In recorded interviews, the researcher could listen to recorded audio and able to refer back at the later stage. However, in this study, data could not be referred back, therefore, extensive care was required. Moreover, some of the facts were not written down in front of the interviewees, depending on situational factors such as the mood of a person is in, the tone of the voice, the gestures, etc. In such kind of methodological challenges, a great extent relied on the memory of the researcher. Since only one interview was taken place per day during the data collection period, I was able to recollect the interviewees' responses. Even for recorded interviews, it was suggested to transcribe as soon as possible as the memory

of the research would stiff be refreshed by hearing the recording, thereby, would assist in making sense out of it (Gillham, 2005).

Before presenting the reader with how the data were analysed, the researched needs to provide the descriptions on how these data were transcribed and translated. As the data were collected in Myanmar, interview questions were translated into Burmese. Similarly, the collected data were in the same language; therefore, the researcher had to translate them back into English. The process by which they were conducted for this research would be provided first.

4.5.3.5 Transcribing Data

With recordings, the researcher could rely on to completeness of the data recorded and validate transcripts of interviews with the participants after a period of time. In note taking, shorthand method was used, therefore, it relied on the memory of the researcher and validation with the participants must be done after the interviews or else, there would be no proof or back-up recordings to refer back.

Thus, in all the interviews in Myanmar, the contents recorded in the notes of the researcher were validated with the participants after the interviews. No participant expressed concerned with the contents of the notes. In some instances, they even recommended or added some more information for clarification of what they had stated. This not only validated but also helped the researcher in collecting useful information. Seidman (2006) has suggested interview lengths to be 90-minute format as longer than that duration is too long for the participant to sit at one time while shorter than this time frame would not give participants to reconstruct their experiences. All of my interviews lasted at least 90-minutes. Two of the interviews had gone over two hours' time frame. From these two interviews, I was able to get very rich information in relation to their experiences, and feelings about the regulations.

After every interview, all the data were entered into my personal computer and translated on the same day. It is advantage to do this process because the researcher's memory was still fresh, so that no data was left unrecorded. Moreover, I would not confuse with the later interviews in transcriptions. After that they were entered into the Word documents which were later imported into NVIVO for data analysis.

4.5.3.6 Translating Data

Translations were done for both interview questions (see Appendix 2) and field notes. With the translation being done from the field notes, the meanings behind what the participants said did not change. In addition, during the 12 out of 14 interviews, another person was with me to prevent from losing the underlying meanings. Afterwards, he was also involved in helping the researcher to do translation. According to Marshall and Rossman (2010), translating and transcribing are not merely technical tasks but entail judgement and interpretation. After these two processes are done with the data, they are no longer 'raw data'. They should be labelled as 'processed data' (Wengraf, 2001, p. 7). Marshall and Rossman (2010) has suggested that attention should be given in handling the judgements and interpretation integrated in the process. It has been raised concern by Temple and Young (2004) about the inherent limitations in the researcher being the translator as well. This point is refuted by Marshall and Rossman (2010) stating that more problems in interpretation appear when someone other than the researcher does the translations.

Interviews questions and data are translated by the researcher as Burmese is her mother tongue. Being both the researcher and translator pose no problems for this, but offered the advantage of constructing the meaning in a consistent way. An example of the translation is given below:

English:

What types of businesses does your bank decline to support?

Burmese:

ဘယ်လိုလုပ်ငန်းမျိုးငွေမချေးတာမျိုးရှိပါသလား

For accuracy, the researcher asked a person who has experience in translation to do "back translations". He was also involved with the researcher in conducting interviews; therefore, he is not an independent person. This created translation more reliable. This processed data was then entered into the word documents on the same day to avoid missing out important information. After all the data were recorded, they were then put into NVIVO data analysis software to support inferences to the theoretical model. In the next section, data analysis for this study will be described.

4.6 Data Analysis: Interviews and Documents

The main sources of data, information from interviews, were coded according to the set of theoretical codes that were literature or/and theory based. The analysis was based on the grounded theory technique whose main idea was that new theory can be generated through an accurate and detailed description of a phenomenon (Strauss and Corbin, 1990). According to Glaser and Strauss (1980), existing theory was restricted and new theory can be created through empirical data. This view was challenged by other authors (Strauss and Corbin, 1998) stating that theories were tools that helped us to understand reality and describe it. These different views were not challenged in this study but accepted. In studying a phenomenon from critical realism, both theory and empirical data were respected because theories should not be ignored because it helps the researcher to gain understanding. At the same time, one should not rely on theories so much that 'actual' account of reality was discarded. According to Sayer (2000, p.5),

> "... critical realism, with its focus on necessity and contingency rather than regularity, on open rather than closed systems, on the ways in which causal processes could produce quite different results in different contexts, fitted comfortably with these developments. Realists expect concrete open systems and discourses to be much more messy and ambiguous than our theories of them and do not consider that differentiation poses a threat to social science"

The above statement implied that investigating a phenomenon from critical realism enabled the researcher to uncover outcomes different from causal processes that were indicated in theories. This is especially true in the context of Myanmar, where no prior study was available, one should be open-minded to any phenomenon that could be generated from the empirical data and not be restricted to the theories themselves. Since the data analysis was a continuous process during data collection process, the responses from participants and the nature of phenomenon developed along that process shape the overall investigation. The method of analysis done in this research could be termed as categorical and thematic analyses.

4.6.1 Categorical and Thematic Analysis

Despite of being said that it was both categorical and thematic analysis, the latter was much emphasised as the former was used for grouping the themes. Primarily, categories were developed using theories and literature. Though these categories were pre-existed, when analysing the data, themes were first developed, then were allocated to their respective categories. They were as described in theoretical framework. Empirically derived codes add theoretical implications.

Thematic analysis has been defined by Boyatzis (1998, p. 1).

> "... *a way of seeing. Often, what one sees through thematic analysis does not appear to others, even if they are observing the same information, events, or situations...* "

Thematic analysis was used primarily by qualitative researchers. It also facilitated statistical analysis as themes and codes could be quantified through counting presence, frequency or intensity. Thematic analysis was used to see something that is not evident to others (Boyatzis, 1998).

A theme could be identified in two different levels namely, at manifest level where themes could be directly observable and at latent level where they could be found through underlying phenomenon. In addition, themes could also be generated deductively using prior theory or research, and inductively from the collected data. It also had some limitations. Boyatzis (1998) had identified three major obstacles in conducting thematic analysis. They were:

1. Projection – ego defence mechanism where the researcher tried to attribute his or her own characteristics, emotion, value or attitude onto the subjects. Hence, in this research, I did not force any of the emerging themes to existing categories. They were revised several times as to validate that they were coded correctly.

2. Sampling – there was a possibility that the researcher would use convenience sampling which might distort the validity and reliability of data. In this research, convenience sampling was not used. It aimed to interview all the Myanmar banks.

3. Mood and Style – due to the subjective nature of qualitative research, the researcher's fatigue and/or sensory overload, frustration with raw information or concepts, or confusion as to the unit of analysis and unit of coding will have

effects on thematic analysis. In order to avoid this obstacle, coding was done multiple times.

These potential errors could be minimised using proper validity and reliability criteria at all stages of the research process. The following Table 1-5 summarises how the above limitations were avoided. Early code development in the preliminary stage allowed the researcher to determine the sample size. The saturation of data was seen after only eight interviews. The process of the data analysis done for this research was also provided in this chapter.

Table 1-5: Actions taken by the Researcher to Avoid Limitations Arising from Thematic Analysis

Limitations	Actions Taken by the Researcher
Projection Error	When analysing the interview transcripts, themes were first coded as it was without changing any meanings. The researcher had coded the data both manually and also through NVIVO qualitative data analysis software. Data coding was done multiple times to ensure that quotes were coded correctly. Examples are provided in chapter five.
Mood and Style Error	As the coding was done multiple times with documents in NVIVO, I was able to re-check my coding process at different steps.

Though the research had prior theoretical framework, it did not limit new themes or codes to arrive from the data. Thus, it had some properties similar to 'grounded theory'. The researcher did manual coding before computer assisted software as to become more familiar with the data. Primarily, the researcher started with manual analysis of the data. However, the complexity of the data required organised data storage and significant amount of time, to make it much simpler, electronic coding method, which allowed the researcher to become familiar with the data set that are again coded in computer assisted

software NVIVO was used. The rationale for choosing this software is explained in the next sections.

Therefore, in analysing data, the researcher was not restricted to the theoretical framework. This did not indicate that the theories are not necessary. They were needed to understand a phenomenon but the phenomenon itself did not depend on it. Hence, in this study, both theory and data guided the investigation on the interplay between banks and institutions in developing their lending practices. Translation, transcription, note taking was done by me, so when doing the data coding, I was already familiar with the data. This thesis involved studying complex social processes; therefore, analysing the data required extensive care and significant amount of time. Collected data were coded and recoded many times to gain consistency in themes and categories assigned. This process created data analysis much easier. In addition, in order to minimise the researcher's influence over the data set, data from speculative sources were not included. When analysing the data, only those collected through interview questions and reliable data sets were used. This will be further explained in the following sections.

4.6.2 Data Coding

While coding, there was no limitation on how many categories or themes that a sentence can belong to. With NVIVO, the researcher was able to keep track of the coding structure and assign each sentence to where it belonged without creating overlapping categories. Miles and Huberman (1994) state that codes should relate to each other in coherent study, consequently, logical sequence of codes are formed which becomes easier to be revised. They have also mentioned about the number of codes that a study should have as too many codes create difficulties for the researcher to remember while too few codes produce a lack of analytic richness. It is suggested that a list of codes should fit on one sheet of paper (Fielding and Lee, 1998). There are two types of codes in this research.

They are theoretical codes, which are derived from priori literature and theories; and empirical codes that are emerged from the interview data. As mentioned before, information that did not fit into priori codes, they were not enforced into them as it was perceived that theories were not perfect in explaining the 'actual' phenomenon.

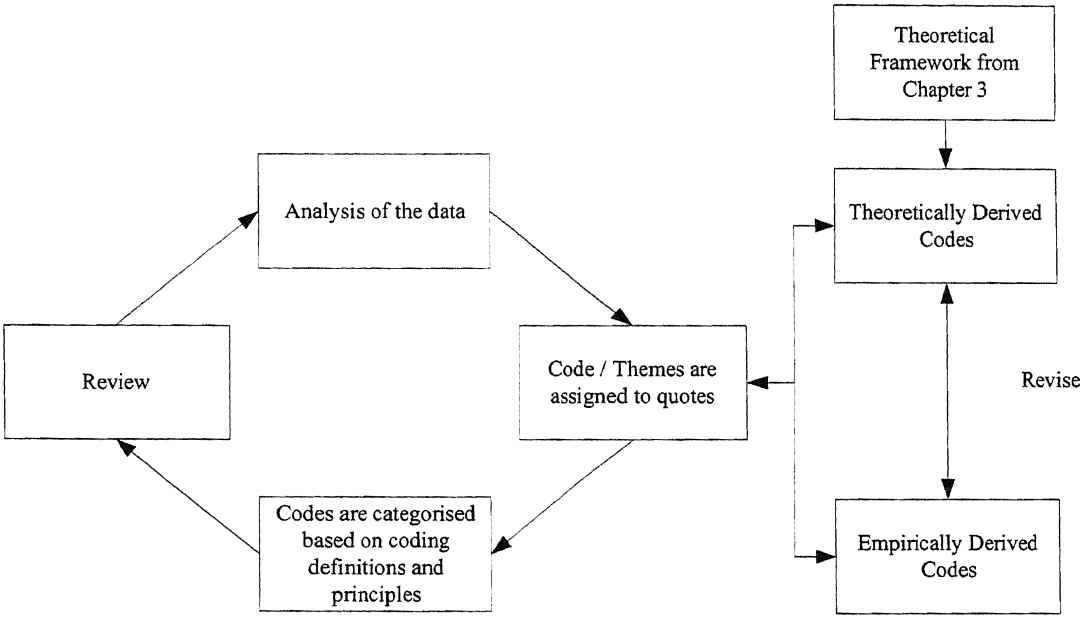

Figure 1-2: Coding Process

In summary, before coding the transcripts, they were read a number of times to make the researcher familiar with the contents. Then, the quotes were assigned with 'codes' or 'themes' developed either through theories, i.e. theoretical framework, or empirical data. As the objective of this study was not to fit the data into the framework but to arise independently through empirics as well, the 'open codes' were created first for further revisions. They were interesting findings that did not correspond to the pre-existing categories or codes. After coding was done multiple times, the position of empirically derived codes changed to theoretically derived codes. In summary, this coding process

could be described as a combination of induction and deduction. Deduction arised from codes formed through theoretical framework and induction from empirical data. These codes were reviewed as required to identify overlapping themes and to establish hierarchy in code groups and nodes with the help of NVIVO as the aim was to move from particular instances and examples of practice from to more general theoretical codes and explanations. The summary of the coding process was described as in Figure 1-2. The following Table 1-6 provided a list of codes, including theoretical and empirical, for addressing three objectives to make the reader clear with the purpose of the existence of the codes.

Table 1-6: The Coding Structure (Institutional Pressures and Strategic Responses)

Hierarchy	Codes		Purpose
	Theoretical	Empirical	
Factors causing homogeneities among banks			To address the second objective, which is to identify the main components of institutional pressures that help shape homogeneities in banks' lending practices
Coercive Pressures	X		
Central Bank and Financial Regulatory Bodies	X		
Social Political Institutions	X		
Normative Pressures	X		
Corporate Culture	X		
Professional Associations	X		
Government	X		
Mimetic Pressures	X		
Mimicking Industry's Best Practices	X		
Banks' strategic responses to institutional pressures			To address the third objective, which is to identify how banks shape their lending strategies in response to institutional pressures
Acquiescence Strategy	X		
Habit / Imitate / Comply	X		
Compromise Strategy	X		
Balance / Pacify / Bargain	X		
Enforced Bargain		X	
Avoidance Strategy	X		
Conceal / Buffer / Escape	X		
Unintentional Avoidance		X	
Defiance Strategy	X		
Dismiss / Challenge / Attack	X		
Manipulation Strategy	X		
Co-opt / Influence / Control	X		

Table 1-7: Coding Structure (Heterogeneities in Banks)

Hierarchy	Codes		Purpose
Factors causing heterogeneities in banks	**Theoretical**	**Empirical**	To address the fourth objective, which is to understand the factors that help shape banks' isomorphism and variations in lending strategies
Task Environment Dependent Contingent Response	X	X	
Reverse Legitimacy		X	
Heterogenetic Legitimacy		X	
Institutional Pressure Intensity		X	

The categories described in the above Table 1-6 and Table 1-7 were not limited with how many quotes or themes should be assigned. Of the coded sentences, some of them were coded in one or two categories (open and/or predetermined codes). Coding such a way helps the researcher to become familiar with the data and no interesting data was left unrecognised. To achieve consistencies in coding, coding definitions and principles were formed prior to this. It is explained in detailed in the next section.

Coding Definitions and Principles

The analyses provided in the chapter five consist of two kinds of codes, theoretically and empirically derived codes. The former was based on the framework developed in the chapter three. Later in this section, the definitions and coding principles of the codes were clearly described and exemplified. This process is essential for enabling further replication and validity of the study.

Institutional Pressures

The coding definitions and principles related to institutional theory, i.e. institutional pressures and their sources were described in this part. For instance, if the participants referred being enforced to lend certain groups, it was coded under the 'coercive

pressures', and if the source of these pressures raised from the government, they were put under the category of 'Central Bank and Financial Regulatory Bodies' as described in the chapter one, CBM and other financial institutions were under the control of the government. The following table describes the definitions and coding principles for institutional pressures and their sources.

Table 1-8: Coding Definitions and Principles for Concepts Derived from Institutional Pressures

Concepts	Definitions	Coding Principles
Coercive Pressures	Pressures based on enforced rules from exogenous providers or authorities of resources.	Rules, requirements, and regulatory forces will be coded under the label of coercive isomorphism.
Central Bank and Financial Regulatory Bodies	A regulatory authority acting as a lender of last resort exerting rules and requirements on banks.	Rules, requirements and regulatory enforcement exerted on banks from CBM will be coded here.
Social Political Institutions	Institutions that promote collective responsibility of social protection and development	Requirements exerted by such institutions for developmental purposes and social change.
Normative Pressures	Pressures as a result of customary and socially accepted and responsible discourses	Expressed support for certain lending behaviour among sources in the banks' environments will be coded under normative isomorphism
Corporate Culture	A set of social expectations and standards as well as the values and beliefs that individuals hold.	The reward system, decision approval process and the authority given to loan officers within the organisation.
Professional Associations	An association of the same professionals that require considerable training and specialised study.	Professional norms, trainings and qualifications will be coded under this category.
Governmental Guidelines	The agency or apparatus through which a governing organisation functions and exercises authority	Information about guidelines provided by the government on banks will be coded here.
Mimetic Pressures	Pressures based on modelling after successful peers. Such activity is engaged in reducing uncertainty.	Mimicking lending practices among successful competitors, collaborators and organisations towards which the organisation has strong ties will be coded as mimetic pressures.

Table 1-8 describes the structural codes for the institutional pressures according to (Scott, 2001), and their sources of pressures being adapted to the banks' lending literature. More codes were coded under the 'Coercive Pressures' and 'Central Bank and Financial Regulatory Bodies'. This could be implied that banks were highly regulated and these pressures come from the government through central banks and other financial regulatory bodies.

Strategic Responses to Institutional Pressures

The following Table 1-9 provides the structural codes for behavioural response to institutional pressures according to Oliver (1991).

Table 1-9: Coding Definitions and Principles for Concepts Derived from Oliver's Strategic Responses to Institutional Pressures

Concepts	Definitions	Coding Principles
Acquiescence Strategy	It is the action taken by a firm to conform to institutional pressures	Behaviours, plans, and talks taken to conform to the institutional pressures to follow lending practices are coded here.
Compromise Strategy	It is a strategy where the banks try to reduce the extent to which conformity is necessary.	Attempts to renegotiate, reduce, and balance the extent to which conformity is necessary between the bank and its external constituents are coded here.
Avoidance Strategy	It is a bank's attempt to preclude the necessity to conform to institutional pressures.	Concealing non-conformity, avoiding any event that requires conformity.
Defiance Strategy	It is an active response to an institutional pressure where non-conformity is openly admitted.	Expressed alienation to non-conformity to institutional pressures.
Manipulation Strategy	It is an active response where change of the institution itself is the goal.	Behaviours, plans and talks taken to influence different stakeholders not to conform to institutional pressures.

Most themes were categorised under the first two categories: Acquiescence and Compromise. This suggests that the banks were more prone towards employing conformist strategies or are unable to openly admit their nonconformities.

Empirically Derived Categories

Interesting and noteworthy data that arises outside the theoretical framework were important part of the study. It represents the instances where the theoretical codes were insufficient. Hence, it pointed to possibility of omissions and incites weaknesses in the interpretations. These instances were noted and developed as open codes at first. It was the most challenging part of the analysis as handling of the open codes is unclear at first. This was due to the large number of open codes. They were revised several times to ensure that they did not belong to other categories before classifying them as open codes. As described before, coding process was a continuous process whether they were empirical or theoretical because the literature and theoretical frameworks were revised time to time, therefore, it was expected that the data must be coded and revised. In the end, open codes were significantly reduced and new categories for these themes were created.

Open codes connected the phenomenon being studied but did not fit the theoretical codes. When these codes were reviewed, it may or may not fit according to the theoretical sense. With the changing regulatory and political environment in Myanmar, the government made many announcements for changes in in regulations between 2010 and 2011, which was the period of the study. Some of the respondents' comments were being reflected on these changes. This required the researcher to not only do coding on the interview transcripts but also to relate with the regulatory changes. For instance 'Reversed Legitimacy' could be easily found through interviews but had to be looked along with the announcements by CBM.

In qualitative research, it is recommended to do manual coding to enhance data familiarity while using computer assisted software to organised data. Therefore, in this study both of these techniques were employed to enrich the qualitative data and interpretations. This was labelled as hybrid coding method and further discussion is provided in the next section.

Table 1-10: Emerging Concepts and Coding Principles

Emerging Concepts	Coding Principles
Task Environment Dependent Contingent Response	Concepts that banks associates with when identifying their underlying motives for their chosen strategic responses.
Reverse Legitimacy	Institutional isomorphic process as a result of the organisations' constant changes to institutions.
Heterogenetic Legitimacy	Different legitimacy requirements created by institutions on different banks.
Institutional Pressure Intensity	The intensity levels of institutional pressures on different banks.
Unintentional Avoidance Strategy	An unintentional avoidance strategy by banks to institutional pressures.
Enforced Bargain (Compromise Strategy)	A compromising strategy by banks through bargaining as a result of their inability for rejecting the demand.

The following Table 1-11 provides an example of how the coding has been done along with the illustrative quotes from interview transcripts.

Table 1-11: Example of Analysis – Interview Research

Categories	Coding Principles	Themes	Illustrative Quotes
Coercive Pressures	Rules, requirements and regulatory forces will be coded under the label of coercive isomorphism.		
Central Bank	Rules exerted on banks from CBM	Restrictions in Type of Collaterals	"Before central banks' regulations, we accept apartments and cars as collaterals. Now, we have to take only mortgages"
		Restrictions in Interest Rates	"The Central Bank stated that the interest should not be more than 17% but can be less than that. The deposit cannot be more than 12%. It's always 17%"
Normative Pressures	Influences on lending officers from the bank, professionals and associations in making decisions.		
Corporate Culture	The reward system, decision approval process and the authority given to loan officers within the organisation.	Collective Reward	"Yes, we have reward system but it is not based on the amount of loans but based on the branch"
		Decisions Approved by BOD	"Final decisions are made in the main branch"

Categories	Coding Principles	Themes	Illustrative Quotes
Mimetic Pressures	Bank lending practices among successful banks which the bank wants to resemble with.	Japanese bank as a role model	"Our way of operating is similar to Japanese banks"
Empirically Derived Codes	Interesting and noteworthy data that fall outside prescribed theoretical codes	Lack of Importance to relationship lending	"It is not necessary for the borrowers to have bank accounts with us. Those who do not have current accounts can also borrow from us. 80% of the loan applicants do not have previous current accounts with us"
		High Inflation with low interest rate	"The Central Bank stated that the interest should not be more than 17% but can be less than that. The deposit cannot be more than 12%. It's always 17%. Inflation is 25% but loan rate is less than 20%"

4.6.3 Hybrid Coding

Once the coding definitions and principles were formed, the process by which the researcher assigned the codes onto the data are described in this section. The analysis of the qualitative data was strenuous task, thus, it was found to be difficult. It was a dynamic, intuitive and creative process which required the researcher's both inductive and deductive reasoning, thinking and theorising. Throughout this research, the researcher had tried different attempts to gain deeper understanding of what was being studied, and continuously refining the interpretations. Therefore, coding was done both manually and electronically with the assisted with Computer Assisted Qualitative Data Analysis Software (CAQDAS).

4.6.3.1 Manual Coding

Manual coding means assigning the quotations to a category, cutting and pasting them onto different coloured paper and reorganising them into sub-themes. The following figure shows some of the researcher's manual coding of interview transcripts. Different colours of sticky notes had been used to assign different codes. They were then stapled to onto the paper. It is a tedious and time consuming task, and indeed, it was a very messy process. However, on top of these disadvantages, it had made the researcher familiar with the data and allowed to be revisited the analysis visually.

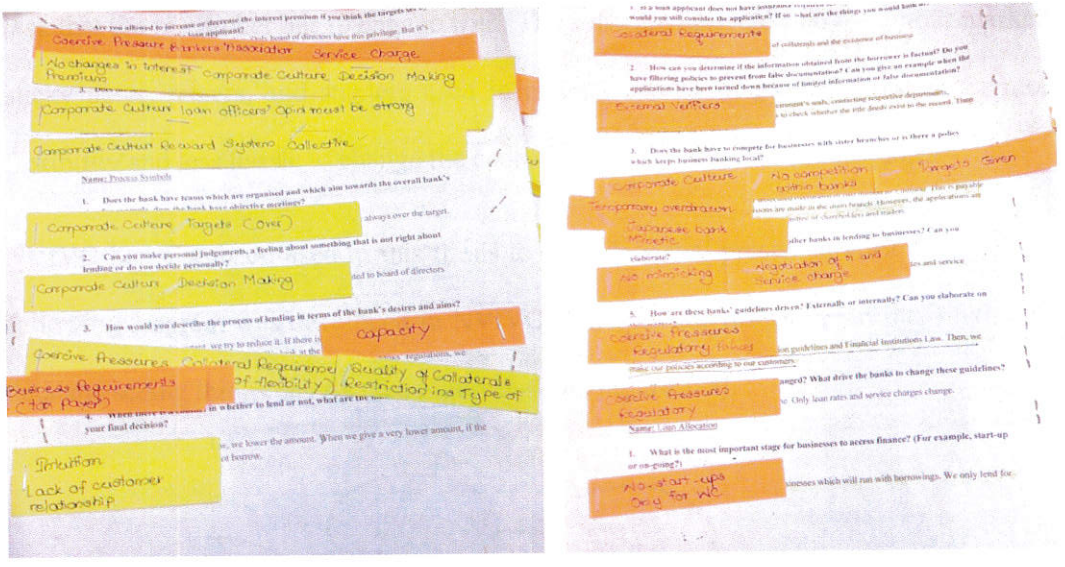

Figure 1-3: Example of Manual Coding of the Interview Transcripts by the Researcher

Not all of the interview transcripts were coded manually but only those from the first stage of interview. This helped the researcher to familiarise with the data and enhance the interview questions, methods of conducting interviews and analysis. After manual coding was done, they were entered into one of the CAQDAS packages, NVIVO for organising the data.

4.6.3.2 Computer-Assisted or Electronic Coding

In order to allow for replication in the future, it is important to describe what and how the programs were used. Unlike manual coding technique, data management became much easier when using NVIVO. It had drastically reduced the time having to spend on copying and pasting data. In NVIVO, tree nodes help the researcher to developed coding hierarchy which makes the analysis much easier. The statistical analysis software packages do the analysis for the researchers, however, with the qualitative data analysis software, they assisted the researcher to do interpretations. Therefore, by providing the researcher to organise data, it had made the analysis easier but not simpler. It eliminated the clerical

task that the researcher has to engage with. The software had replaced the colour markers, sticky notes, papers, and staplers used in manual coding. It gave the researcher more flexibility and less hassle to change the codes or assign new codes to the quotes.

NVIVO had also been used in this thesis to provide visual presentation of the data. The following diagram was developed in NVIVO. It helped the researcher in interpreting the data and seeing things clearly (see Figure 1-4 and Figure 1-5).

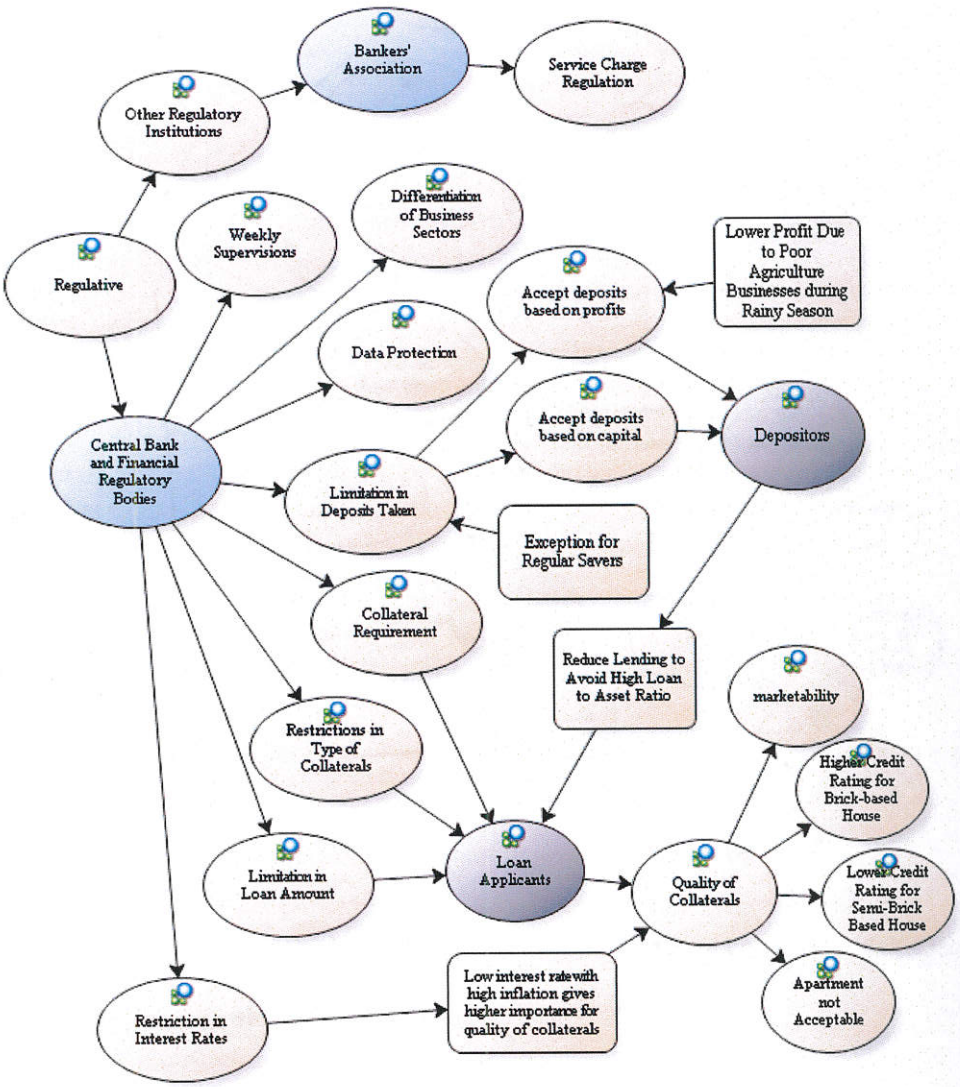

Figure 1-4: Example of the Visual Representation of the process by which Coercive Pressures affect Banks' Lending Process

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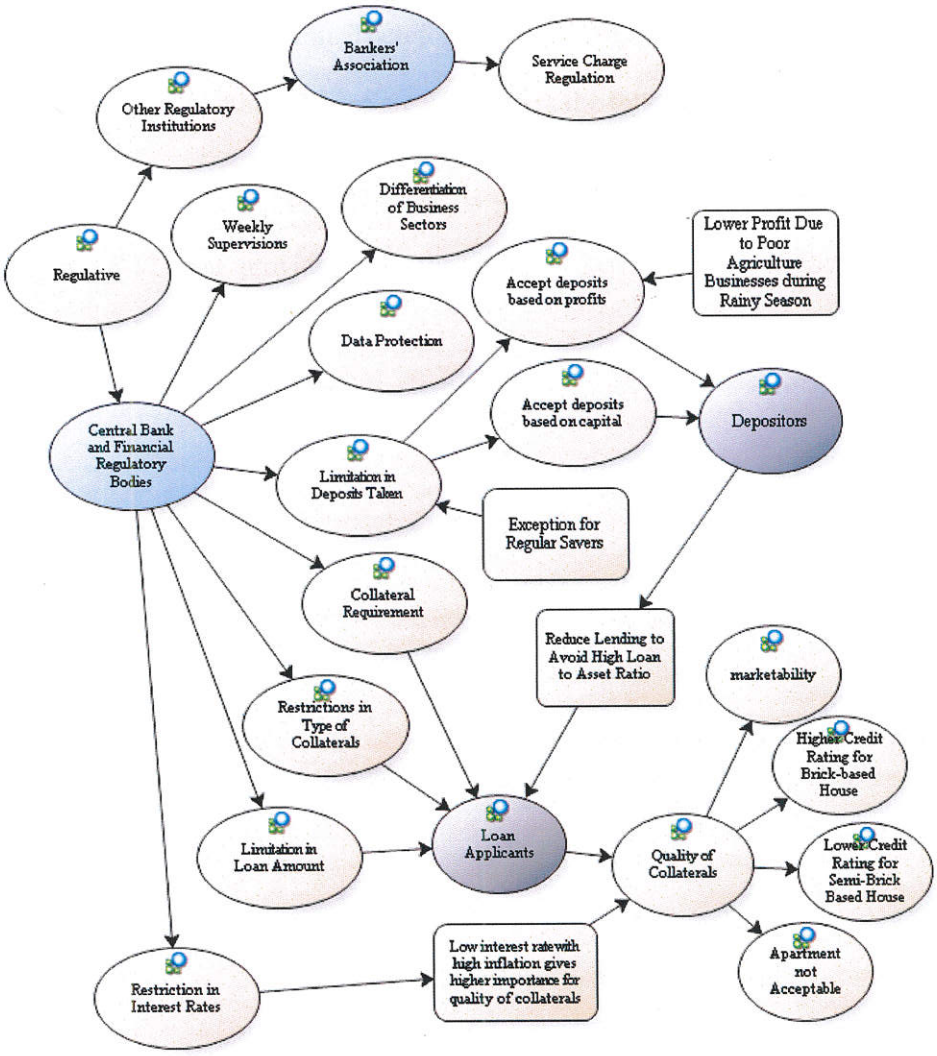

Figure 1-5: Example of the Visual Representation of the process by which Coercive Pressures affect Banks' Lending Process

4.7 Ethics

In carrying out research in a culturally and politically sensitive countries, for example, in Myanmar, confidentiality of the research participants are taken extra care to ensure that no harm should befall on them. Therefore, some of the actions taken by the researcher to comply with general ethical issues are provided in the following section.

Based on Patton's (2002, pg. 408) ethical issues checklist, the following ethics framework (see Table 1-12) was provided with the actions taken by the researcher in response to each issue.

Table 1-12: Research Ethics

	Issues	Actions Taken by Researcher	Reference
1.	**Legitimacy of research activity**	Contact details of the University of Bedfordshire, and the researcher's information were provided to the interviewees	Introductory letter with the letter head (Appendix 1)
2.	**Fully informed interview subjects**	Interviewees were provided information with regards to interview information verbally, which detailed: o Background to the research; o Procedures to be followed; o Responsibilities of the researcher; o Responsibilities of the interviewees; o Freedom of consent; and o Researcher's contact details	Interview Guidelines (Appendix 2)
3.	**Accuracy of Reporting Information**	• Though interviews were not digitally recorded in order to avoid intimidating the research subjects. • However, extensive notes were taken while interviewing and recorded into NVIVO database on the same day as to ensure that all the data were not misinterpreted. • Translation of the data was also done by the researcher who had prior experience. In addition, back translation was done on selective interview transcripts	Sample of Interview Transcripts (Appendix 6)
4.	**Anonymity of the subject and confidentiality of information**	• All data presented in the research paper, and also source documents were kept in a secure location.	Not Applicable
5.	**Interview subjects comfort**	• The locations for the interviews to take place were decided by the interview subjects.	Not Applicable

4.8 Conclusions

This chapter outlined rationale for critical realist research paradigm, research methodologies, strategies including the process of data collection, analyses and credibility checks, and ethics followed in this study. In summary, the research was a qualitative research, mainly using interviews to collect required data. The next chapter provides the contextual analysis of the Myanmar's financial sector and their efficiencies in credit risk management using basic descriptive statistics.

Chapter Five: Overview of Myanmar's Banking Sector

5.1 Introduction

As a qualitative study, the context in which the research was conducted should be provided in detailed to give the reader a sense of familiarity. Especially when the role of culture was also studied in the banks' lending practices, the historical development of national culture on the banks' corporate culture has to be explored. Hence, not only the country's banking system but also the political and governance systems over the years must be presented along with the socioeconomic environment. In order to study how legitimacy was achieved and what legitimacy crises occurred, what legitimisation strategies were used, and how banks and institutions reacted, it was necessary to focus on the reflections, interpretations and actions of both sides, i.e. banks and institutions in the context.

5.2 Country: Myanmar

Culture is defined as a "the collective programming of the mind which distinguishes the members of one group from another" (Hofstede, 1984, p.21) which is historically derived and transmitted from one generation to another and changed through the process of adjustment to the social setting (Oyeneye and Shoremi, 1985). In the cultural development process, management has an important role of acting as an organiser, enforcer, supporter, catalyst and motivator for cultural development (Sariolghalam,

1993). In the national framework, the political system of a country has a crucial role in creating culture.

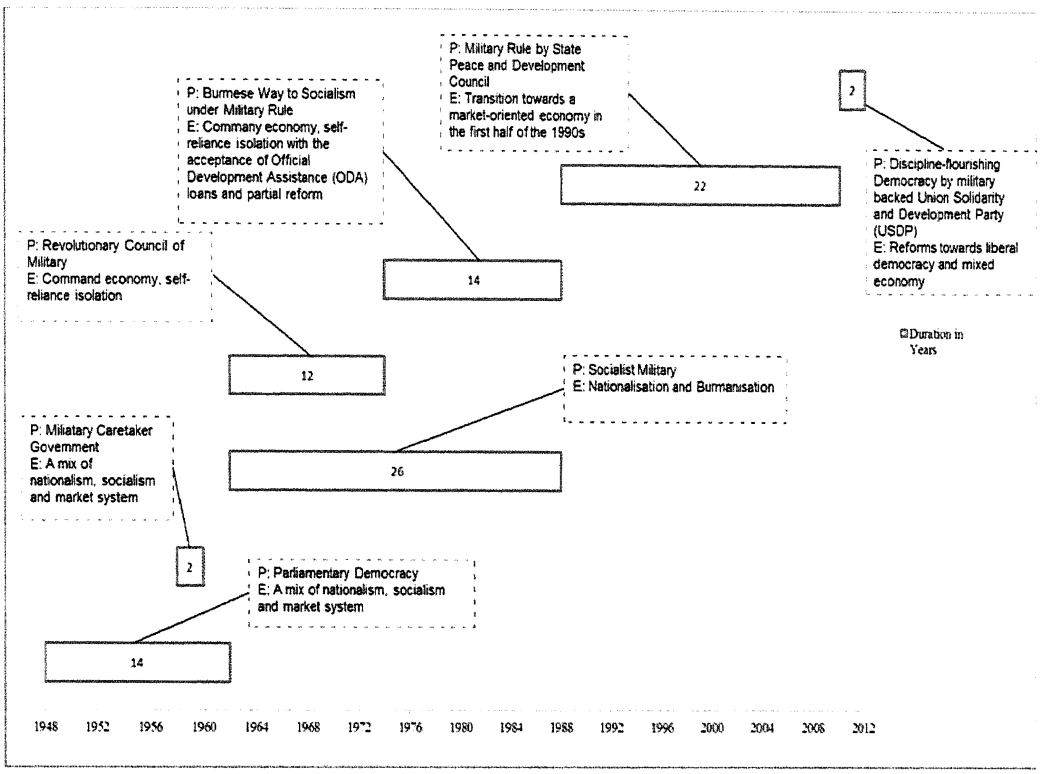

Figure 5-1: Timeline for Myanmar's Political and Economic Systems (P: Political System, E: Economic System)

Figure 5-1 shows Myanmar's political and economic systems from 1948 (independence from British colonial rule) to the present. Immediately after 1948, Myanmar had parliamentary governance and market systems until the military takeover in 1962. Since then, in whichever governance system the country was under, whether socialism or not, there has always been military involvement resulting in having either planned or command economic systems with the state control. In 2010, it underwent a dramatic reform towards liberal democracy with a mixed economic system; however, state involvement was still in existence. Consequently, hierarchical or bureaucratic national culture was created over the years continues to affect the banks' regulatory environment.

Due to the researchers having little interest or inability to gather require information in Myanmar, research regarding Myanmar's organisational culture cannot be found. However, as a person coming from Myanmar, I can state that the bureaucracy is predominant across organisations in the country. In addition to the political system affecting organisational culture, it is not deniable that Buddhism, which is embraced by 80% of the country's population, also has significant effects on everyday lives of people by emphasising the importance of respect of authority, obedience and loyalty in the society. This is familiar to Confucius teaching in China and Korea. Hence, the lack of questioning the seniors at workplace and reluctances in raising questions or issues towards them existed. Directions and orders tend to be top-down and there is little or no delegation of power of authority is given to lower level staff members.

Thus, replication of research methodologies suggested in research papers that studied banks' lending practices in countries where lower power distance, democratic values, equalitarianism and participations were cherished, such as UK, US and Australia, was very difficult in Myanmar. Since owners and executives are top of any bureaucratic structure in these firms, decision making and controls are centralised rather than decentralised among the lower level employees. This was taken into account when selecting participants for this research. Detailed descriptions can be referred back to section 4.5.2).

5.2.1 Myanmar's Banking Industry

A brief overview of Myanmar's banking industry was provided in chapter one. In this section, the current situation of the banking industry will be provided with reform process that the country's economic and business environment is undergoing. In March 2011, Myanmar had finally achieved to form democratic government. This was when the President of the country stated his intention to build the country on a market-based

economic system. Accordingly, the government tried to achieve it politically through releasing political prisoners including Daw Aung San Suu Kyi in order to build democratic institutions. Economically, with the help of IMF, World Bank and other financial institutions, Myanmar was trying to change and modernise the financial system through amending and introducing new laws. For example, the government updated the new foreign direct investment law in November 2012. In addition, the microfinance law was developed and approved by the parliament in December, 2011 with a view to alleviate and reduce poverty, especially through allowing poor to access financial services at affordable costs. The government had also allocated more budgets for education, health and other social welfare purposes. Hence, the financial sector development had been placed in the top of the reform agenda.

Nevertheless, this was not the first time the Myanmar's banking industry had gone under reform. In 1963, there were 14 foreign banks, 10 domestic banks and one government-owned bank. In those days, Myanmar was considered the most developed in Southeast Asia region. However, in 1963, banks were nationalised and until 1988, banks had little role under the socialist government. Financial reforms restarted again in the early 1990s. In 1993, CBM introduced the foreign exchange certificate (FEC) as an alternative exchange rate arrangement, which enabled the kyats to be indirectly convertible to the US dollars. During those days, civilians were not allowed to have US dollars in hands without the permission of the government. Thus, foreign currencies could only be exchanged in the black market. This created two different exchange rates in the country. The official rate was pegged around 6.83 kyats while the unofficial exchange rate reached1200 kyats per dollar in 2009. Once FEC became more acceptable by the public, CBM created a trading floor where they could be traded and freely convertible to US dollar. This then created another sets exchange rates, one for US dollar and another for FEC. Indeed, the exchange rates for US dollars would be much higher than that of FEC.

Some organisations would accept FEC for transactions while some did not. This created people to take advantage of buying FEC instead of dollars to make transactions. All in all, despite of the small and limited functionality of the Myanmar's financial system, its foreign exchange market was very complicated with diverse exchange rates. In 2011, the government allowed people to possess US dollars officially. Afterwards, the government gave some domestic banks' licenses to exchange foreign currencies.

Though foreign currencies were exchanged officially with the official rates, which was currently floating around 800 kyats, banks did not accept old or worn-out notes. This made it possible for people to exchange them into domestic currency. Thus, another exchange rate was formed for worn-out notes. The rates for these were again lower than the rate in the market. One of the main reasons was that there was not enough of foreign currency inflow in the market. These dealers tried to achieve maximum profits through playing around by forming different rates. Though these activities needed to be controlled, the government had still not taken any initiatives to do so. In addition, due to the sanctions imposed by the US government, no remittance could be done in US dollars. Thus, it had been difficult for people to carry foreign currencies in and out of the country. In addition to being a cash-based economy where there were no credit or debit cards, people had to use hawala[7] based remittance system. As this is an informal system and not regulated officially, there were many incidents in which different parties lost their remittances in transit. Though it might seem less costly as there was far lower commission than those charged by banks, if the amount of money needed to be transferred by one party does not meet the other party's ability to provide in his/her country, the first party would have a hard time finding third party to complete the task. Hence, the lack of a properly functioning banking system including sanctions intended to

[7] Money is transferred via a network of hawala brokers where the transfer of money takes place without the actual money. In general, the funds enter the system in the source country's currency and leave the system in the recipient country's currency. As settlements often take place without any foreign exchange transactions, they can be made at the rate other than official exchange rates.

affect the military government and lack of foreign banks' operations in the country created a lot of difficulties for financial transactions. Recently, in 2012, some domestic banks started Automatic Teller Machines (ATMs) and issued debit cards. Internet banking had been started by some of the banks; however, the lack of a proper functioning telecommunication infrastructure is not permitting much of 'e-banking' activities since many people in the country do not have much access to internet.

As a member of ASEAN, Myanmar would have to liberalise the economy to accommodate the association's road map on free trade area and free investment area initiatives to become fully integrated. Therefore, financial system is undergoing a dramatic change since 2010. CBM was and still the sole authority to grant licenses to domestic financial institutions with foreign capital or as a branch of a foreign bank. There were four categories in which foreign banks could be allowed to operate in Myanmar. They were:

- Joint Venture – foreign banks could enter into joint venture banking business with any domestic financial institution or bank in Myanmar
- Offshore Banks – function as a branch of foreign bank was readily acceptable with 100% foreign capital. The definition of offshore bank was not clearly specified in the existing law. This was still under the process of being amended.
- Strategic Partnership Bank – domestic bank could be permitted to form strategic partnership with foreign banks. In this case, CBM could prescribe the percentage of share ownership that foreign banks could own and participate in domestic bank share holdings.
- Full branch or subsidiary bank – foreign banks could establish a branch office with 100% ownership or a subsidiary bank which needed to be incorporated under the domestic laws.

Although there were foreign banks' branches in the country, they were not allowed to perform their banking activities. Nevertheless, it was expected that their operations would be permitted before 2015, the start date of ASEAN Integration. Hence, despite Myanmar's banking system being classified as the most basic in terms of their operations, such as taking deposits and providing loans, in reality, it is far more complicated than it seems . The CBM issued guidelines on the statutory reserve requirements, capital adequacy, liquidity, classification of non-performing loans and provision for bad and doubtful debts, lending limits, etc. In addition, they also regulate the upper (caps) and lower (floors) limits for deposits and lending rates. They were based on the standards prescribed by the Bank for International Settlements (BIS). Due to the lack of stock exchanges and limited functioning of the financial markets, these guidelines were based on Basel I even though Basel III had already been drafted after 2008 financial crisis. CBM was responsible for overseeing both government and private-owned banks. The classification of government, semi-government and private banks were not straightforward in Myanmar due to their affiliations to the political sector both formally and informally.

For enhancing the data analyses, the responses were divided according to the banks' respective ownership structures, government, semi-government and private. Therefore, it was needed to define what was meant by them in this thesis. The following definitions for banks' categories were used:

- Government or State-owned banks—financial institutions controlled directly by the government as opposed to a private entity.
- Semi-government Banks – financial institutions which had some stakes of the government and the management had government authorities overseeing them.

- Private Banks – financial institutions which did not have official government stakes regardless of the ownership being held by any members of the governments.

In addition, banks had been criticised for their engagement in money laundering activities (APG, 2008). Similar to many other developing and underdeveloped countries, there was a high level of domestic corruption. Myanmar was the second largest opium poppy grower in the world after Afghanistan and the banks also had significant roles in financing these activities. In Myanmar, at least half of the economic activity was officially unacknowledged. It was widely believed that illegal transactions account for significant portion of the private banks' activities (Turnell, 2003). As these were very sensitive issues, it was impossible to include them in the study.

5.2.2 Assessment of Myanmar Banks' Performance in Lending (Secondary Data Analysis)

In this thesis, only lending activities of the banks has been studied as its main aim is to explore the banks and institutions' interplay in lending to businesses. Thus, assessments of the banks' performance in lending using secondary data were conducted. Due to the country's lack of transparency and reluctance in disseminating information, it was difficult to provide comprehensive analysis of the current lending situations in Myanmar. Thus, analyses were based on the official data and the responses given by the interviewees which are the primary source of information.

First of all, before conducting research on the banks' internal risk ratings and loan assessments, it was needed to understand their performance in terms of their credit allocations, loan specifications and efficiencies in managing loans from secondary data analyses. The major problem in regard to conducting research in Myanmar was not only the accessibility of the right person but also the data availability. Censuses or statistics in

Myanmar were not well maintained and their reliability was questionable. This meant data provided by the Myanmar government needed to be handled with care. Thus, it became quite impossible to apply econometrics to study banks' lending behaviour. As it was mentioned in the methodological chapter, some of the data were obtained from internal sources. Since the researcher was not part of the CBM or Myanmar banks, data which were considered sensitive by them could not be obtained. For example, at first sectorial-wise contribution in percentage of GDP could be found only for the periods until 2004 when they were accessed in 2009. However, in 2011, which coincided with the political openings, figures after 2004 became available in the same World Bank database. Hence, it was quite hard for the researcher to make definite conclusions using quantitative data. In summary, data on non-performing loans and loan allocations to different sectors were collected from CBM directly whereas data on GDP, sectorial contributions to GDP and deposits at different banks were calculated and presented based on IMF and World Bank database.

5.2.3 Assessment of Myanmar Banks' Loan Allocations

In this section, loans' growth and allocations by Myanmar banks will be examined. Firstly, total loans provided by the banks over the period of 2007-2011 were analysed. According to the following Figure 5-2, the number of loans provided in 2010-2011 significantly increased. This coincided with the establishments of four new banks and the democratic reforms in the country. There were several conclusions that could be drawn from the trend. However, from banks' lending perspective, the primary reason might be that the four new private banks' activities in providing loans had increased and they had more customers who demanded loans. Secondly, opening up the economy in 2010 had effects on business expansions. This could be viewed as both negative and positive signals. If the dramatic increased in the total loans provided by the banks were due to the expansion of businesses and increased in business activities, it gave positive signals

indicating that the banks were meeting the businesses demands for additional financial assistance. On the other hand, they might be overly risk taking in the new economic environment or banks might have other political drives in providing more loans as the new banks were said to be owned by the country's businessmen who had political ties.

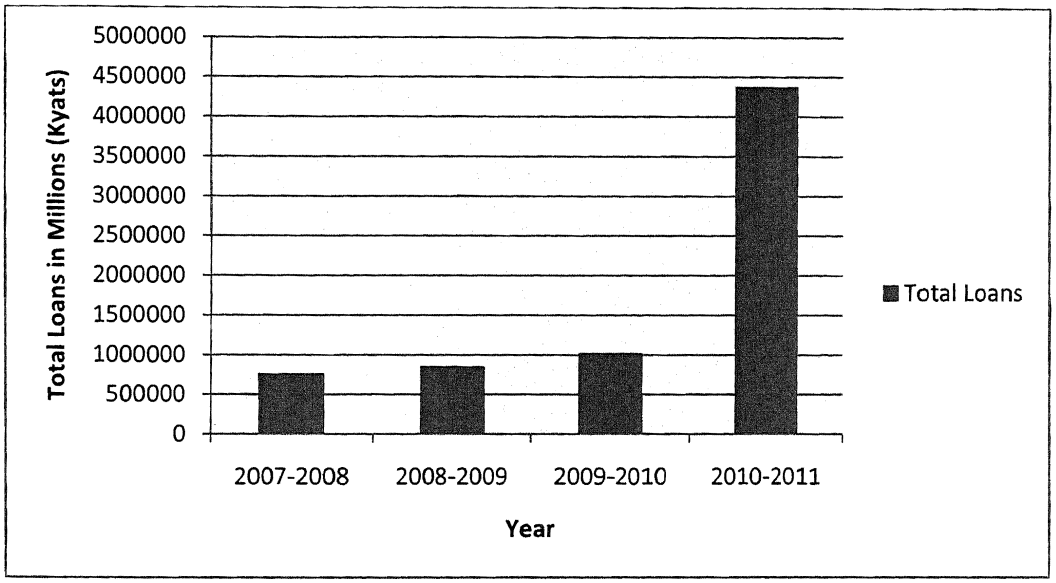

Figure 5-2: Total Loans Provided by Banks (in Kyats) over the Period of 2007-2011

The loans provided by the banks were then differentiated again into sectorial wise loans in Figure 5-3 to assess the banks' loan allocations to different sectors. From Figure 5-4and Figure 5-5, there were positive loan growths in all the sectors except services and real estate which had experienced negative loan growths prior to 2010-2011. Higher loans provided to businesses also indicated that there was a positive outlook in the economy. The significant increment in the overall amount of loans provided by banks was the results of loans higher growth in agriculture, manufacturing, trading and service sectors in 2010-2011. However, the growths in construction and miscellaneous sectors were not as significant as the other four sectors. It also gave a signal that there was no loan growth for the real estate sector despite of the increased loans provided to the construction sector.

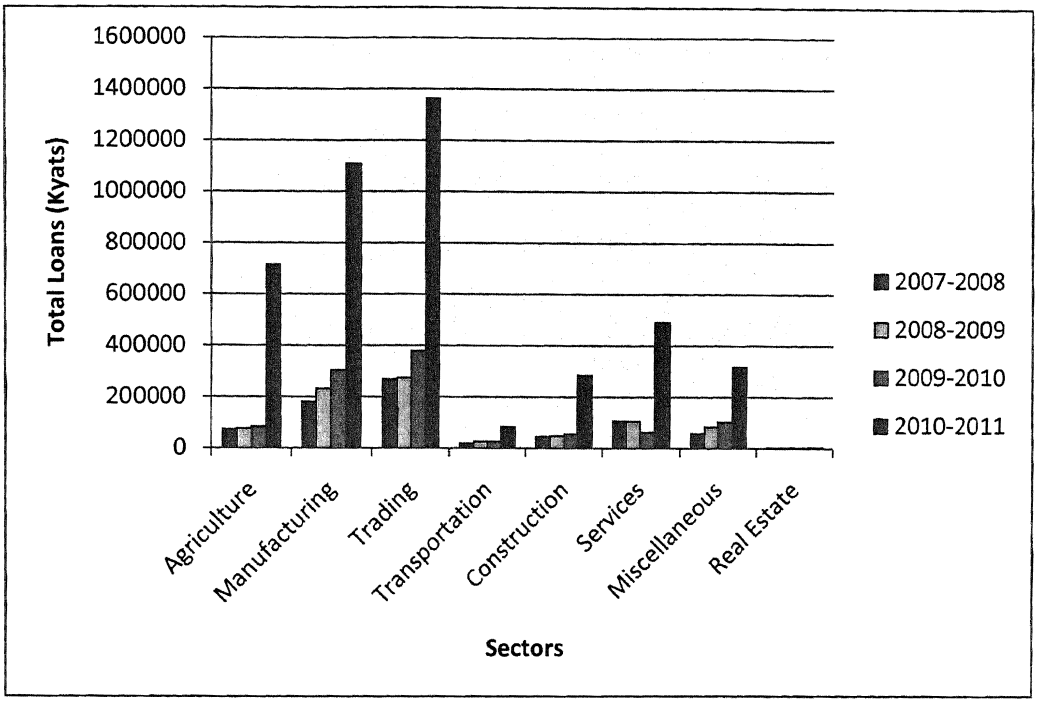

Figure 5-3: Sectorial-wise Loans (in Kyats) over the Period of 2007-2011

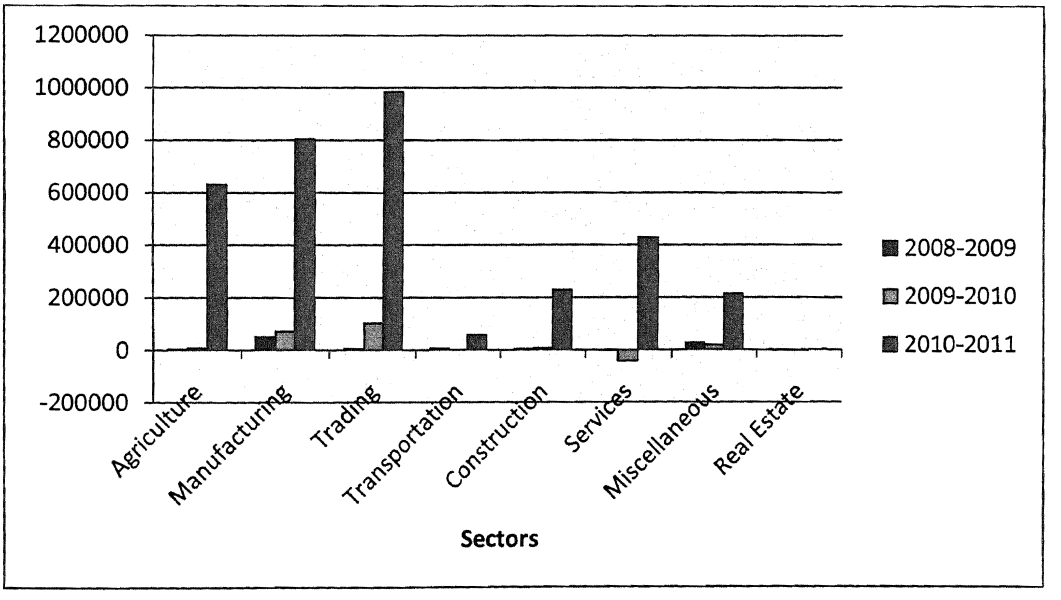

Figure 5-4: Changes in Loans Provided to Different Sectors over the Period of 2008-2011

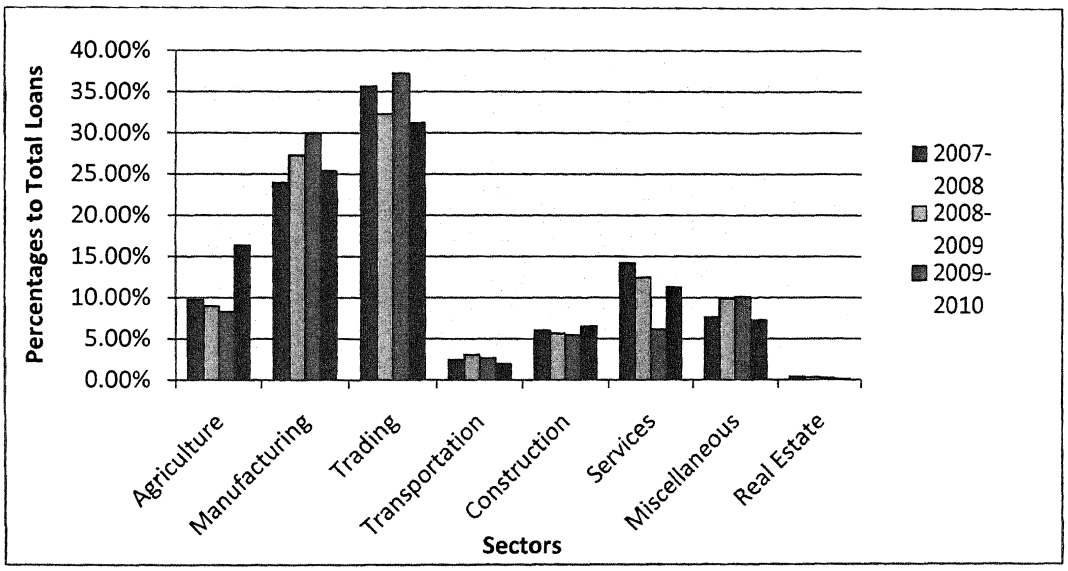

Figure 5-5: Sectorial-wise Loans in Percentages to Total Loans over the Period of 2007-2011

The data provided in the following Figure 5-6, as the changes among the percentages of sectorial-wise contribution to GDP was not significant, they would be used as it was to compare them with the data provided in the above Figure 5-5. From these two figures, it could be seen that though agriculture sector provided the highest contribution to GDP than other sectors, manufacturing and service, lesser loans were being provided. This might be due to NGOs' and INGOs' role in providing microfinance to the agricultural sector. However, their success rate was also criticised by the senior authorities of the country. Similarly, these microfinance institutions criticised these authorities for the low success rate and also for the lack of microfinance law. It was only been drafted and implemented in the end of 2011 though such activities were in existence for many years before. Interestingly, although the smallest contribution sector to overall GDP was 'manufacturing', it had the higher proportion loans being allocated. This resulted to low domestic credit provided by the banking sector to GDP as shown in Figure 5-11. The figures for the other sectors contribution towards GDP were not available. All in all, the

demands for loans were not met by official financial intermediation. These business activities were financed through either savings or other informal loans.

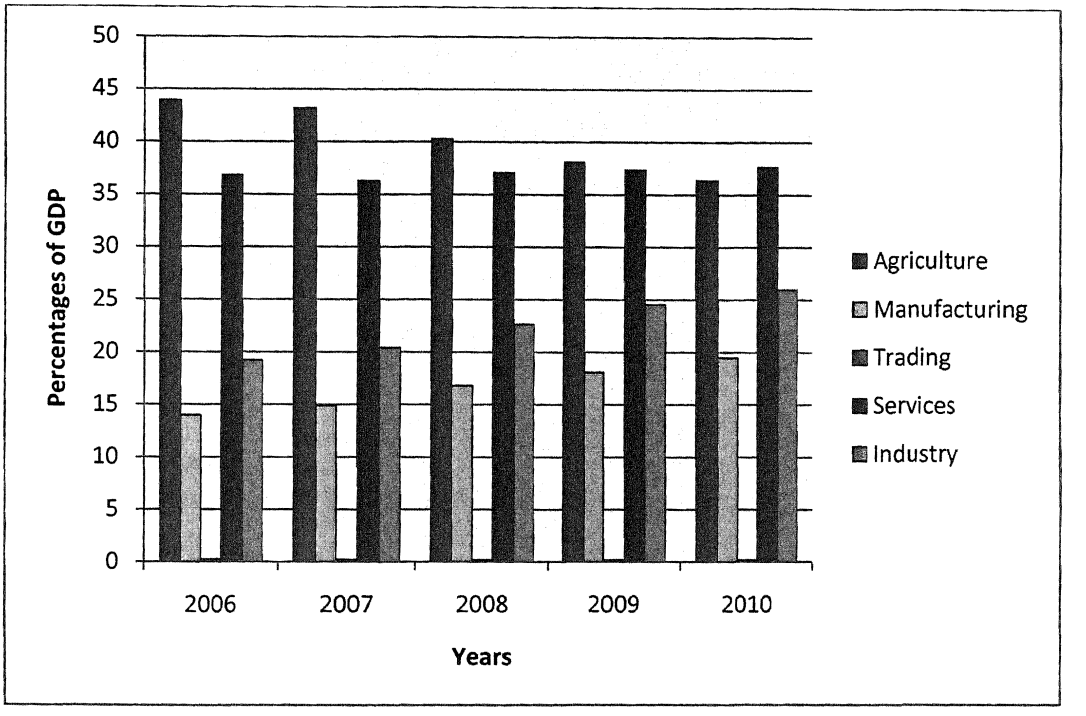

Figure 5-6: Sectorial-wise Contribution in Percentage of GDP over the Period of 2006-2010

All in all, despite of the high loan growth; much of this growth was contributed by increased in trading and manufacturing sectors. Constructions, transportations and real estate had lesser percentage of total loans being allocated. The most interesting discovery from this analysis was that agricultural sector contributed a larger proportion of the country's GDP, but banks' loan allocations to this sector were not significant. After examining banks' allocations of loans, the next section will discuss whether banks were efficient in managing the loans they provided.

5.2.4 Assessment of Lending Efficiency

In order to understand banks' efficiencies in managing their assets in balance sheets, especially loans, it was important to analyse their non-performing loans (NPL). Firstly, it

was needed to understand how these non-performing loans were defined and classified as to thoroughly analyse the data. As the financial institutions in Myanmar were tightly regulated, the CBM provided the guidelines in prescribing provisions for bad loans to the banks. Generally, banks were required to hold general provision of at least 2% of total outstanding loans and advances. In addition, according to the Section 11, sub-section (d) of the Financial Institutions of Myanmar Law also stated that the CBM had the right to demand financial institutions to make additional provisions against specific assets. Hence, provisions for different classifications of non-performing loans and advances were set by CBM as in Table 5-1.

Table 5-1: Provisions for Bad and Doubtful Loans

	Non-performing Loans/ Advances	**Provisions on Shortfall in Security Value**
1	Sub-standard Loans / Advances	Nil
2	Doubtful Loans / Advances	50%
3	Bad Loans / Advances	100%

The classifications of non-performing loans and advances were based on the principles established by the CBM. They were classified as in Table 5-2. The CBM also provided detailed guidelines for treating interest on non-performing loans and advances, rescheduling credit facilities, the process by which reclassifications of non-performing loans as performing, etc. In other words, banks had no flexibilities in rearranging these guidelines. Moreover, guidelines on the valuation of securities were also provided to them. Banks were provided with the reporting formats for weekly, monthly and annually reporting to present not only non-performing loans but also liquidity ratios. They are provided in Appendix 5.

Table 5-2: Classification of Non-performing Loans and Advances

	Principal or Interest in Default for	Classification of Non-performing Loans/ Advances
1	6 months but less than 12 months	Sub-standard
2	12 months but less than 24 months	Doubtful
3	24 months and above	Bad

According to the data received from CBM, the reported NPL over the years, from 2007 to 2011 had increased. Similarly, there were also upward trends if these NPLs were divided into different categories, namely sub-standard, doubtful and bad-debts. This did not provide a bigger picture on how much in terms of these were contributed in terms of total NPL and their management abilities of these NPLs specifically. Thus, in Figure 5-7, these different classifications were then measured in terms of percentages of NPL.

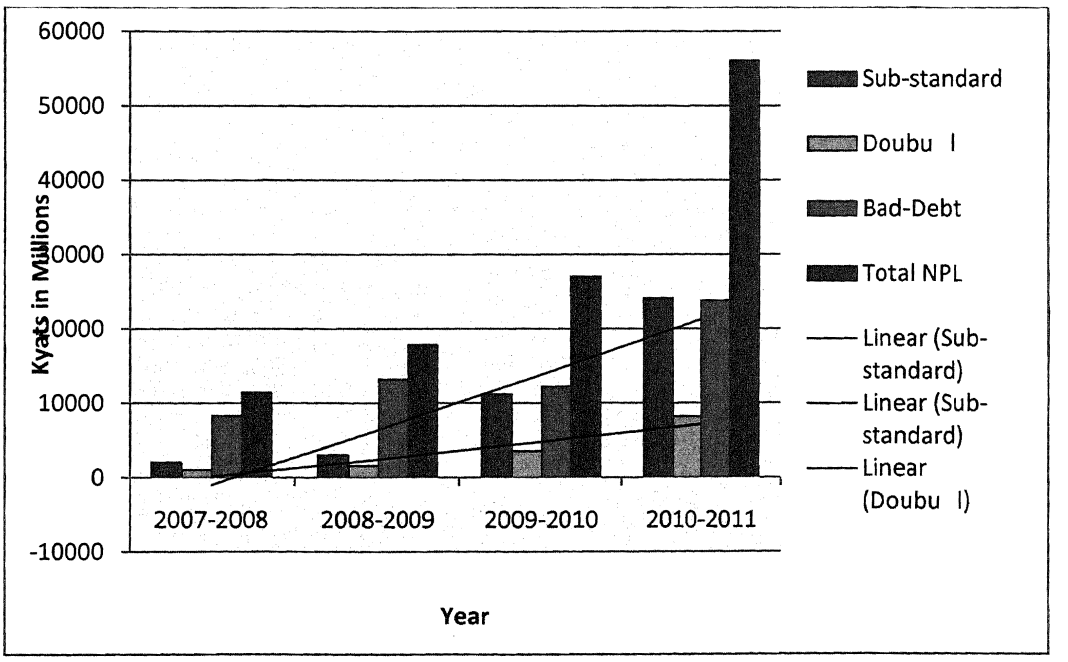

Figure 5-7: Sub-standard, Doubtful and Bad-debts over the Period of 2007-2011

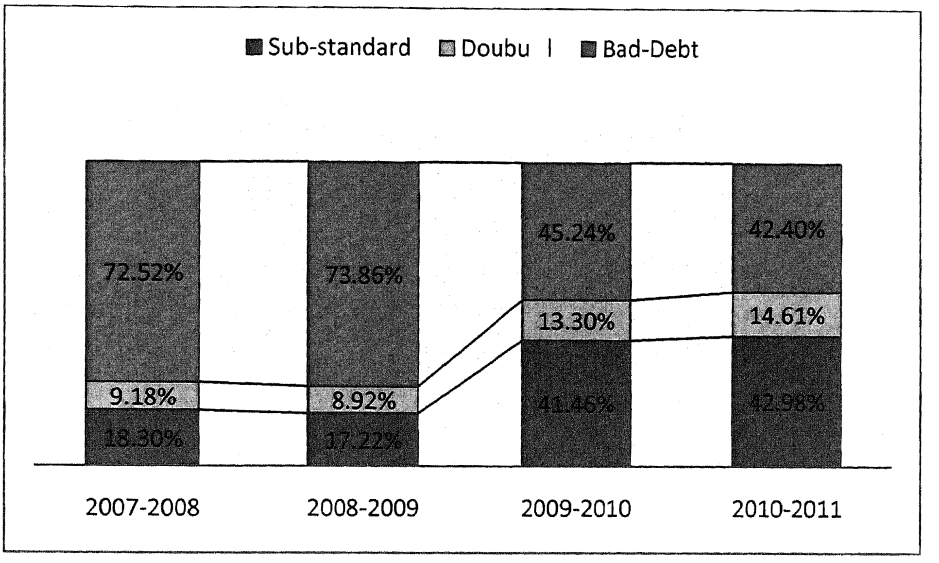

Figure 5-8: Sub-standard, Doubtful and Bad-debts in Percentages of Non-performing Loans over the Period of 2007-2011

From the above Figure 5-8, it could be seen that, the banks were able to reduce bad debts from 73.86% in 2008-2009 to 42.40% in 2010-2011. In other words, banks were able to prevent the previous years' doubtful and sub-standard from becoming bad debts. However, there was a dramatic increment in the sub-standard NPL indicating that many of their customers might have short-term cash flow problems which affecting their abilities to pay principal or interest for six to twelve months.

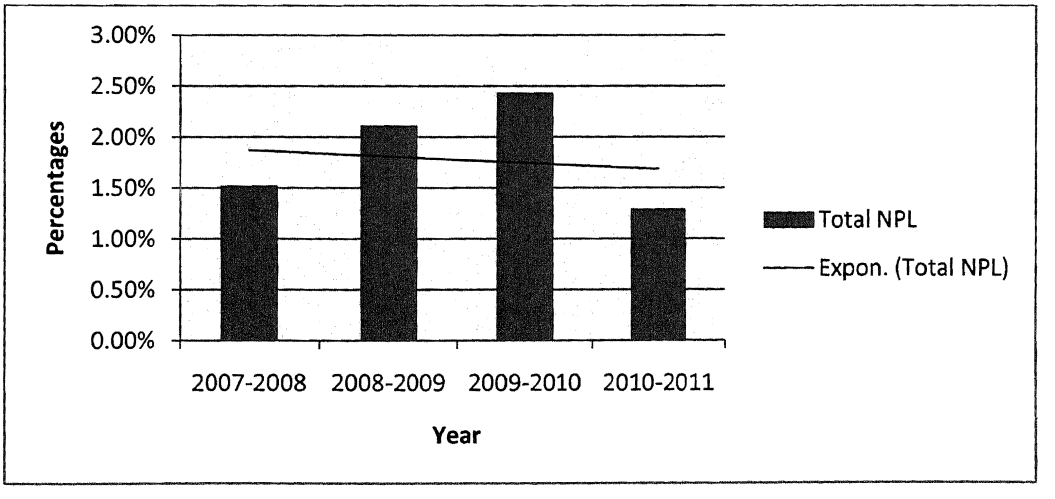

Figure 5-9: Percentages of Non-performing Loans to Total Loans

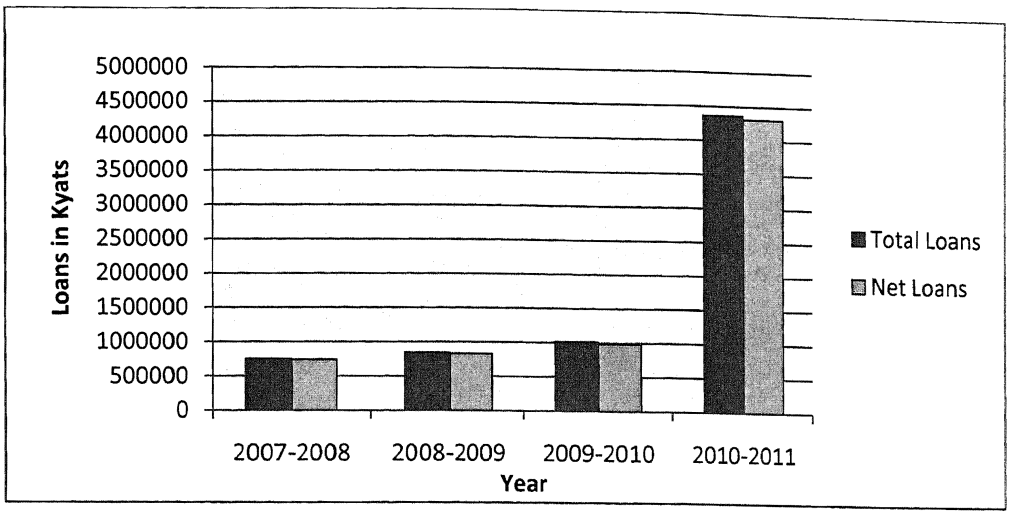

Figure 5-10: Comparison of Total Loans and Net Loans[8]

Overall, from Figure 5-10, the total NPL in terms of total loans had decreased in the 2010-2011 financial year, however, banks needed to make sure that the increasing sub-standard NPL should not become bad-debts in the following years. Nevertheless, by looking at NPL in Myanmar without comparing with other countries would not give a clear picture of the banks' successes in achieving efficiency in managing NPLs. Since the liberalisation of the economy as a whole in 2010, large foreign capital inflows were expected. Indeed, the entry of foreign banks in the coming years would also test the local banks' strength in adapting and operating efficiently in new environment. Therefore, in order to analyse the success and efficiency of such type of banking sector, domestic credit provided by the banking sector and non-performing loans to GDP ratios were calculated for both Singapore and Myanmar. Singapore was used as a comparison or benchmark because it was the most developed country in the same geographical region, South East Asia and both these countries were members of ASEAN which had the collective goal of creating integrated economic area by 2015.

[8] Net Loans represents total loans to customers, reduced by possible default losses and unearned interest

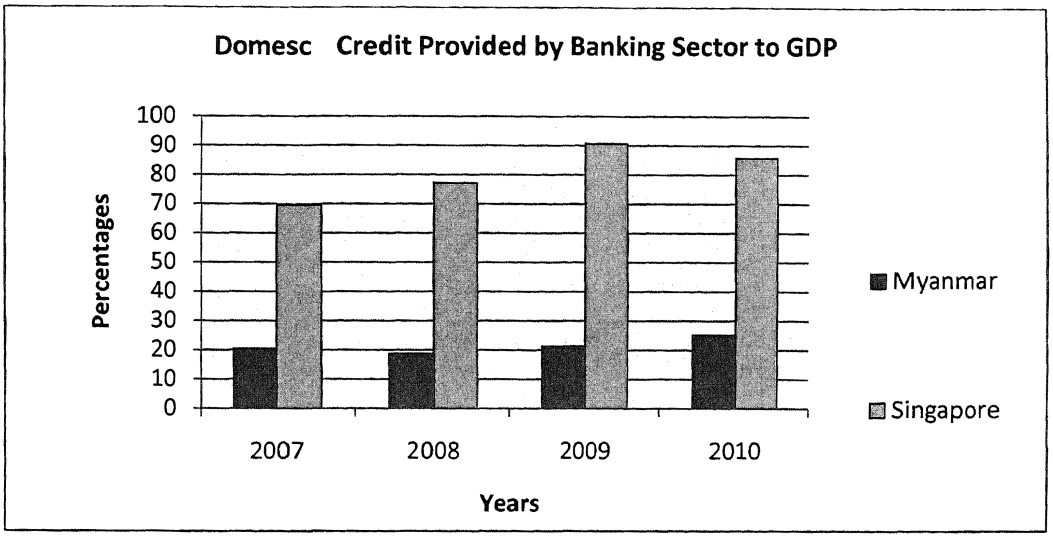

Figure 5-11: Comparison of the Percentages of Domestic Credit Provided by Banking Sector to GDP

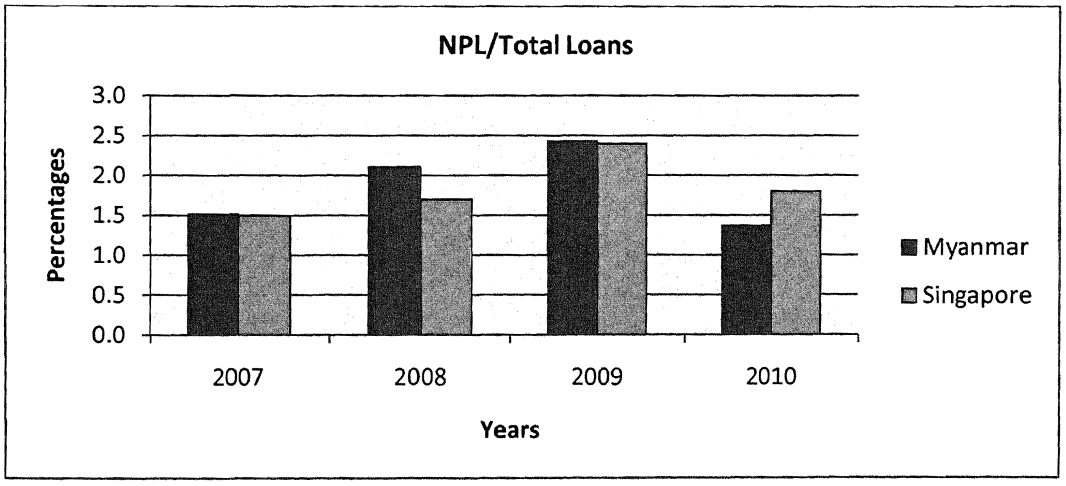

Figure 5-12: Comparisons of Non-performing Loans (NPL) to Total Loans (TL) in Singapore[9] and Myanmar

In Figure 5-11, the first ratio, the percentage of credit provided by banking sector to GDP indicates that the demand for loans had not been adequately met through official financial intermediation. In Myanmar, just over 20% of the demand for loans was provided by the banking sector whereas in Singapore, over 80% was met through official financial intermediation. Therefore, it could be that capital structures of businesses in Myanmar

[9] Data of non-performing loans for Singapore could be found from World Bank database but not for Myanmar. It is considered sensitive data by CBM.

might contain debt and equity but the source of these debts were not from banks. Even then, by observing the percentage of non-performing loans to total loans in comparison with Singapore showed banks' inefficiency in managing credit risks with respect to the demand of loans not being met (see Figure 5-12). This implied that both banks and businesses experienced high costs of obtaining and providing finance. Indeed, the data did not show whether state-owned or private-owned banks contributed more on these non-performing loans.

The CBM supervised the banks both on off-site and on-site. As to further enhance the regulatory framework and supervision of the banks, limit on banks' deposits, reserve requirements, liquidity requirements and capital adequacy requirements were also set for the banks to follow. Strict adherence to the additional measures as presented in Table 5-3 was required by all banks. If CBM detected that a bank fell short of required limits, it would be penalised at 5% of the shortfall amount.

Table 5-3: Additional Measures taken by CBM for Financial Stability

	Measures	**Requirements**
1.	Limit on Deposits	A bank's deposits should not exceed 10 times of its paid-up capital
2.	Reserve Requirements	10% of deposits to be deposited at the CBM (cash in hand should not be more than 25% of that reserves and deposits with the CBM should not be less than 75%
3.	Liquidity Requirements	20% of deposits is to be kept in cash balances with the CBM or other banks
4.	Capital Adequacy Ratio	Total capital to be 10% of risk-weighted assets

Though the measures imposed on banks might seem very stringent and coercive, weaknesses in some of these measures could be identified. First of all, reserve requirements or reserve ratio is used by central banks as a monetary policy tool to influence a country's borrowing and interest rates by changing the amount of funds available for the banks to lend. In developed countries, central banks do not use reserve requirements but open market operations to implement their monetary policies because this could affect lower money creation. Compared to UK where there was no reserve requirement, 10% could be considered to be a high ratio. Nevertheless, Myanmar banks had much higher reserve ratios than they were required to hold by the CBM. Excess reserves in the following Figure 5-13, were calculated by deducting 10% from their reserve ratios. Due to the confidentiality issues, these data were collected from CBM and not from the banks themselves. I was not able to obtain full details of the reserve ratios, liquidity ratios and capital adequacy ratios for all the months of 2010 and 2011. These data were only for the month of March, 2010. They did not include data for government banks. Though giving comprehensive analyses of the banks from only one month's data was insufficient, it would still be able to provide some understandings of the banks' maintaining and meeting of institutional requirements.

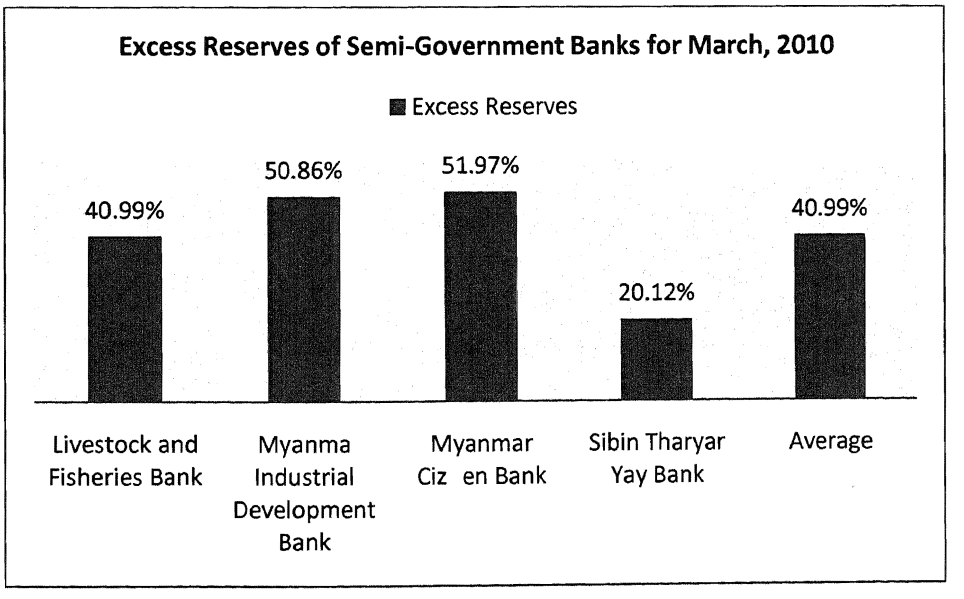

Figure 5-13: Excess Reserves of Semi-Government Banks for March, 2010

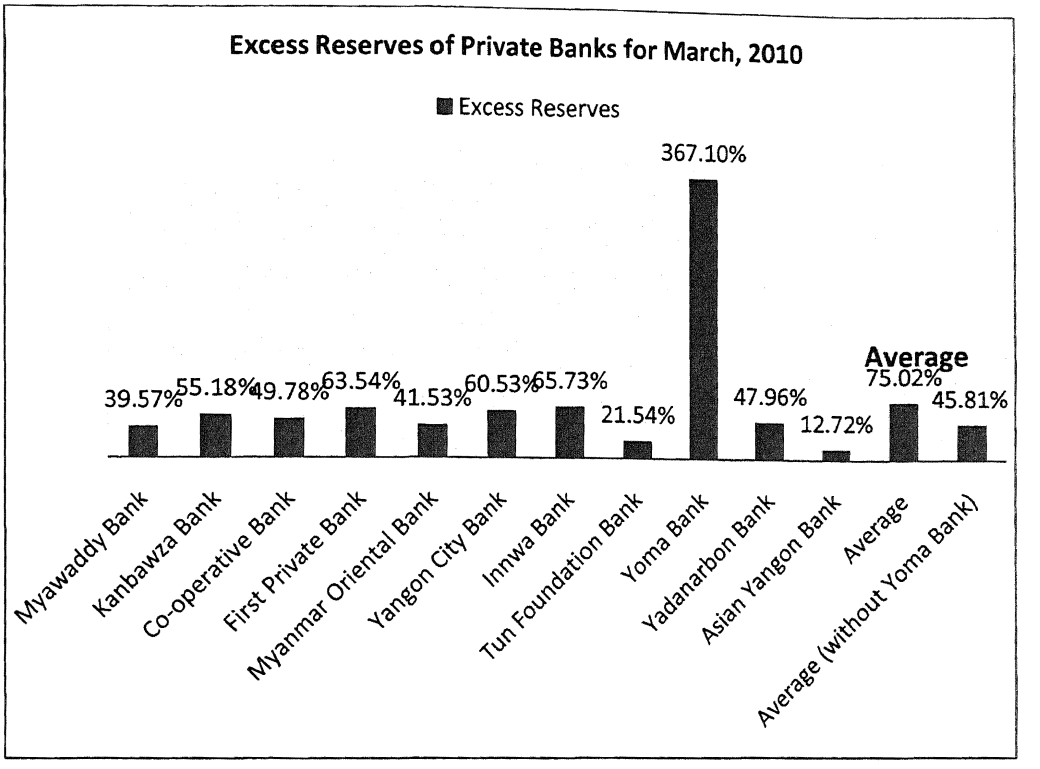

Figure 5-14: Excess Reserves of Private Banks for March, 2010

From the above two figures, Figure 5-13 and Figure 5-14, banks capital reserves in excess of what was required by the CBM. Since banks were able to hold maximum of 25% of the 10% of the required deposits as cash in hand, it was expected that most of these excess reserves would be kept with the CBM. It was preferable to have excess reserves by financial firms as they provided extra safety measures in the events of bank runs and economic uncertainties. While the CBM did not give any interests on excess reserves as Federal Reserve does since 2009, there was no incentive for banks to hold large amounts of reserves at the CBM. From these data, proponents of having excess reserves would argue that Myanmar by not having a financially developed economy, the costs of processing information, evaluating projects and monitoring borrowers were relatively higher compared to those of developed economies. Comparing the average excess reserves held by semi-government and private banks, the former kept much lower

reserves. It can indicate that the bank has higher reserves than the amount of deposits that it held at the point in time. Theoretically, this could be due to the fact that its balance sheet was lesser diversified and more volatile. However, the concrete underlying reasons for banks to have large reserves could not be explained from these statistical data itself. From the Figure 5-16, unexpectedly, Yoma Bank held much higher excess reserves than other private banks. Since the bank did not engage in banking activities and halted its operations, it had much higher excess reserves than other banks.

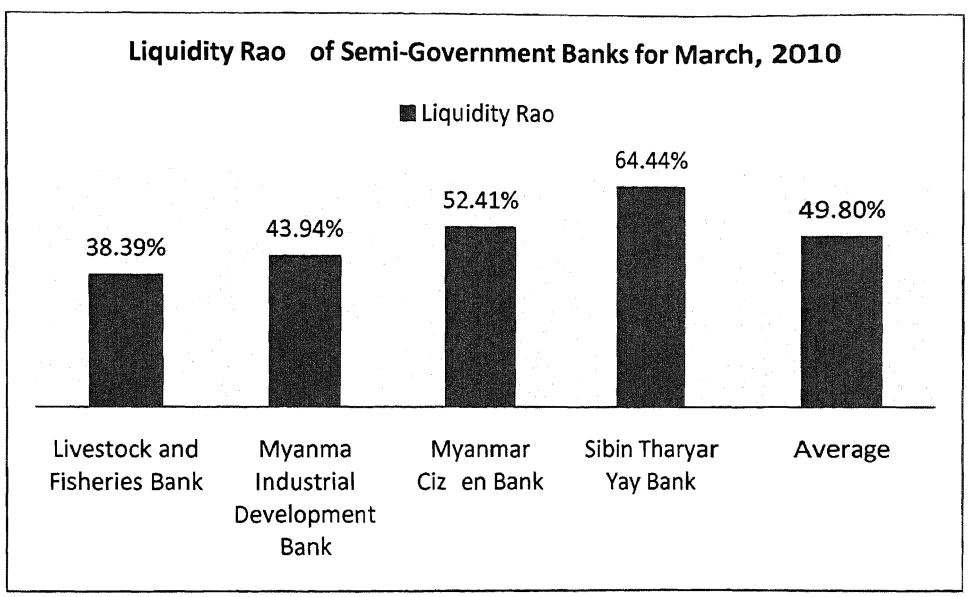

Figure 5-15: Liquidity Ratios of Semi-Government Banks for March, 2010

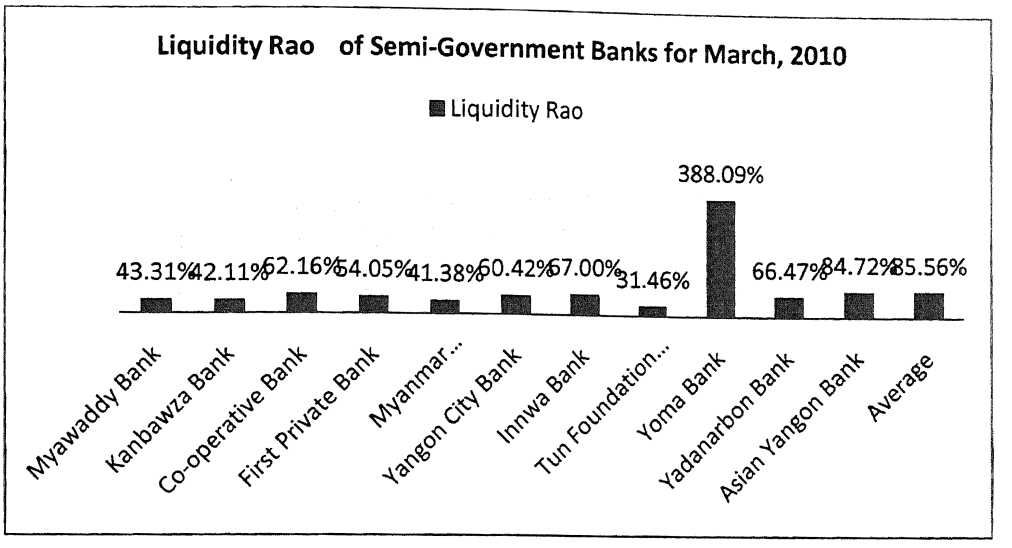

Figure 5-16: Liquidity Ratios of Private Banks for March, 2010

Liquidity ratios for banks were calculated by dividing highly liquid assets with total liabilities (deposits). Highly liquid assets included vault cash, deposits with CBM and other financial institution, net inter-bank lending and borrowing with a remaining maturity period up to one month, and readily marketable securities. From Figure 5-15 and Figure 5-16, average liquidity ratios of private banks were significantly higher than that of semi-government banks'. The definitions of marketable securities and open market operations were very limited in Myanmar. There were no investment instruments other than government issued treasury bonds in Myanmar's bond markets. The CBM issues 2-year, 3-year and 5-year government treasury bonds since 1993. They had interest rates of 10.5%, 11.0% and 11.5% respectively. The treasuring bonds deposited by financial institutions in the CBM were treated as cash balance in calculating the reserve requirements. According to Win (2010), since the CBM included treasury bonds in measuring reserve ratios, private banks maintained their strong liquidity positions by purchasing these treasury bonds. Therefore, private banks were the major investors of treasury bonds (see Table 5-4). This explained much about high reserve and liquidity ratios by the private and semi-government banks.

Table 5-4: Largest Bond Purchasers and their Shares in Total Bond Outstanding as at June 30, 2009 (Source: Win (2010))

Name of Banks	Amount of Bonds Purchased (Kyat in Millions)	Share (%)
Kanbawza Bank	100,000	29.65%
Myawaddy Bank	75,300	22.33%
Myanma Livestock and Fisheries Development Bank	43,000	12.75%
Remaining 12 Banks	118,950	35.27%
Total	**337,250**	**100%**

The maximum interest rate limits set by the CBM on lending and deposits during the period in which data was collected were 17% and 12% respectively. As presented in the previous section, banks had faced limited lending activities and inefficiencies in loan allocations, banks could offset their opportunity costs of high deposits which could not be lent to businesses by investing in those treasury bonds which were paying between 10.5 to 11.5%. In other words, banks could reduce the cost of having high deposits up to 0.5%[10]. Therefore, banks were not only able to maintain strong liquidity position by purchasing treasury bonds but also able to offset the cost of having high deposits with the income received from these treasury bonds. Consequently, banks did not have the pressures to lend to businesses to cover the opportunity costs.

Capital adequacy ratio, a measure used by financial regulators to assess banks' ability to meet risks such as credit risks or the buffer for potential losses to protect depositors and lenders, is also studied in this section. According to the regulatory requirements, banks

[10] In Myanmar, banks give deposit rate of 12%. By investing in treasuring bonds, they could pay depositors with the interests they receive from the treasury bonds. They can maximise it until they only need to pay extra 0.5% from their income.

were supposed to maintain capital adequacy ratio of 10%. Similar to reserve requirements and liquidity ratios, not only private but also semi-government banks maintained high level of capital adequacy ratios. It indicates that banks had large provisions for risk management which limited their abilities in expansion of credit or other investments. Interestingly, Kanbawza bank, the largest government bonds purchasers had the lowest capital adequacy ratio. It was also the largest bank in the country. This indicated that the bank's lending to the government required lesser capital to maintain as it was better protected than any other borrowers. Contrastingly, Myanmar Citizens Bank, Yoma Bank and Yadanabon Bank have much higher ratio. This might indicate that these banks might either engage in more risky activities or were risk averse, except Yoma Bank, which suspended its banking activities since 2003? All in all, by maintaining high capital adequacy ratios than the requirements meant risk adversities could be seen not only with regulators but also with banks. Nevertheless, such conclusions were impossible with limited data and information.

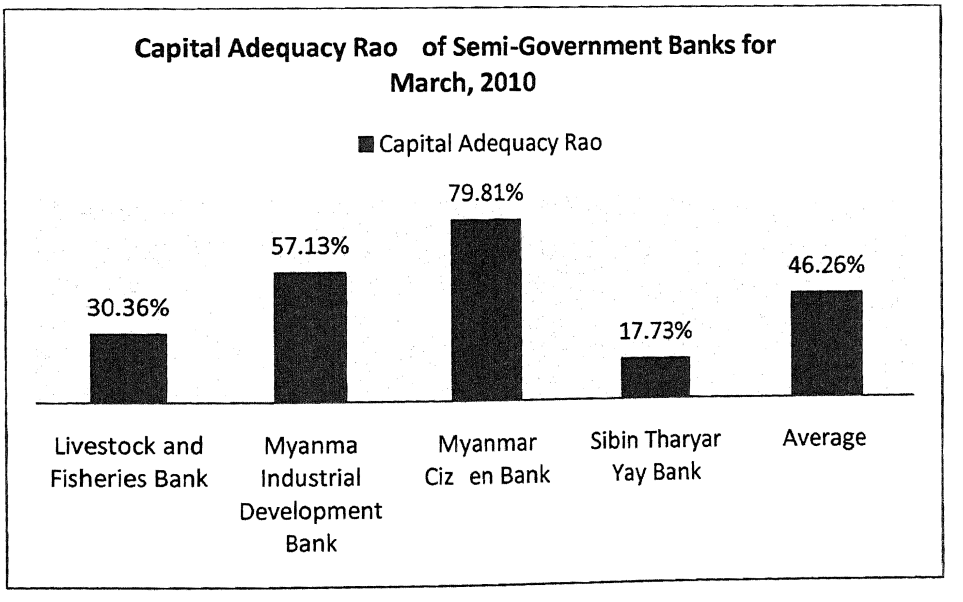

Figure 5-17: Capital Adequacy Ratios of Semi-Government Banks for March, 2010

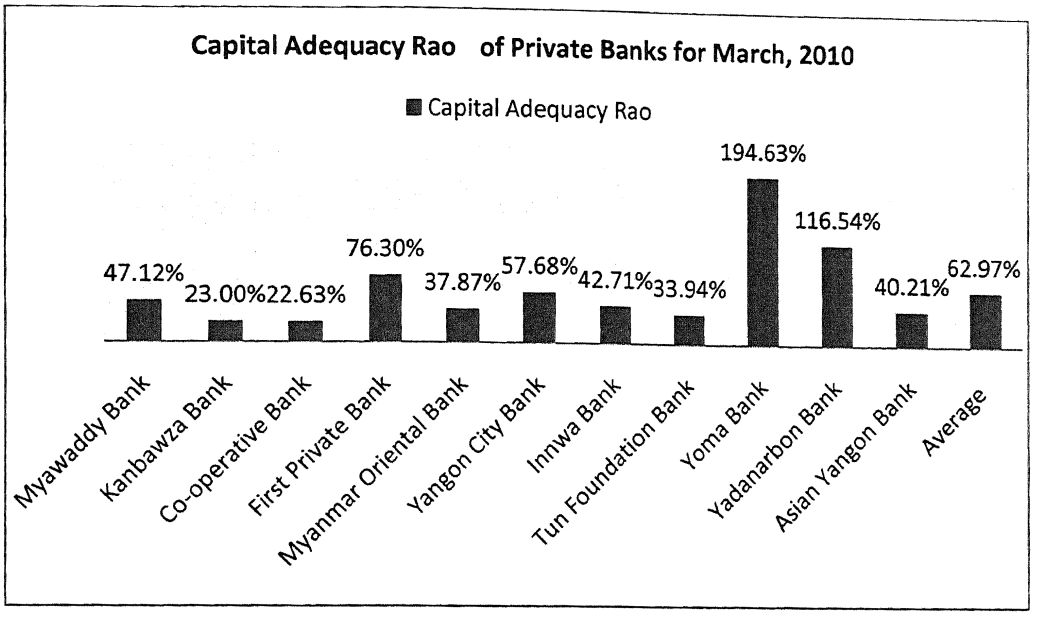

Figure 5-18: Capital Adequacy Ratios of Private Banks for March, 2010

Other factors that could provide banks' risk adversities and complying could be observed through analysing their securities used in lending to businesses. Since 2003, banks in Myanmar were not allowed to provide loans without collaterals. The acceptable collaterals were only land and buildings even apartments were not eligible as collaterals because there was no law for condominiums and apartments. Therefore it was not surprising to see significantly higher percentages of land and buildings as the basis of securities for providing loans. Furthermore, the increasing housing prices over the years in the country should give banks an advantage in case of the borrowers' default.

Table 5-5: Percentages of Security-wise Loans over the Period of 2007-2011

Security-wise Loans	2007-2008	2008-2009	2009-2010	2010-2011
Land and Building	**89.2070%**	**93.0531%**	**93.5093%**	**84.1586%**
Diamond and Gold	0.1229%	0.1092%	0.0053%	0.0026%
Fixed Deposit and other Deposit	0.0113%	0.0063%	0.0033%	0.0011%
Machinery and Merchandise	3.0204%	1.8466%	1.4054%	1.0311%
Personal and Organisation Guarantee	3.4500%	1.8795%	2.0942%	7.5541%
Miscellaneous	3.2248%	2.4069%	2.5197%	1.7524%
Unsecured	0.6072%	0.4070%	0.2589%	5.4147%
Real Estate	0.3564%	0.2914%	0.2038%	0.0855%
Total	100.00%	100.00%	100.00%	100.00%

Even though land and buildings were the only acceptable collaterals, there were other types of movable collaterals which comprise 6.49% to 15.84% of the securities from the period of 2007-2011. Since 2003, CBM reduced the types of acceptable collaterals to only land and building. Only in the beginning 2012, CBM announced that it would allow banks to take commodities including diamond and gold as collaterals. The presence of these items on balance sheet was questionable though their percentage of these items in relation to the 'land and building' category was negligible; its composition had increased in 2010-2011 financial period. Therefore, there was a need to explore the underlying assumptions for banks to accept them as securities. Similarly, these data did not provide the researcher whether the private, semi-government or government banks contributed to the increasing percentages of these types of securities loans.

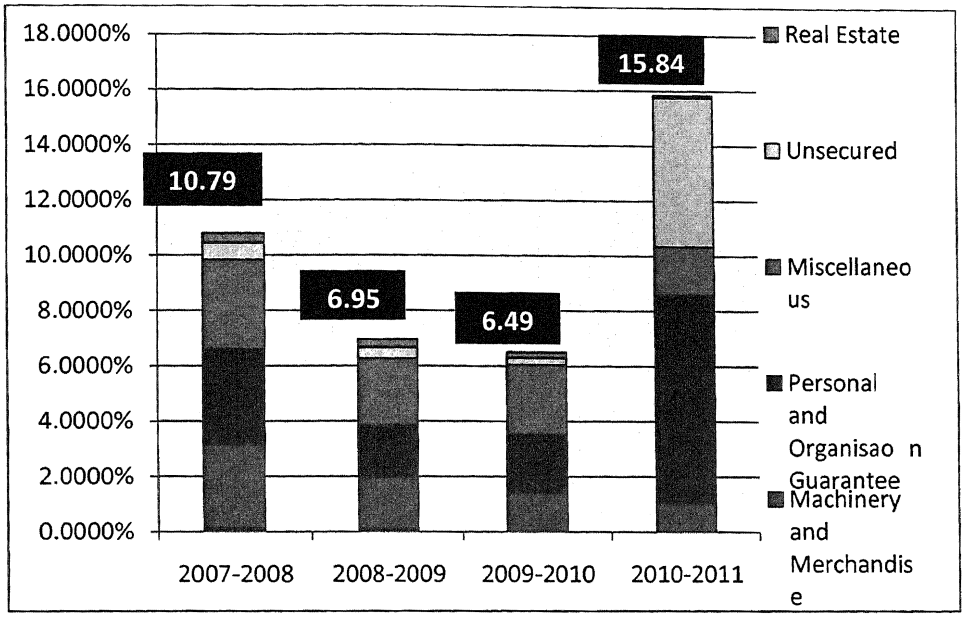

Figure 5-19: Percentages of Security-wise Loans (except Land and Buildings) over the Period of 2007-2011

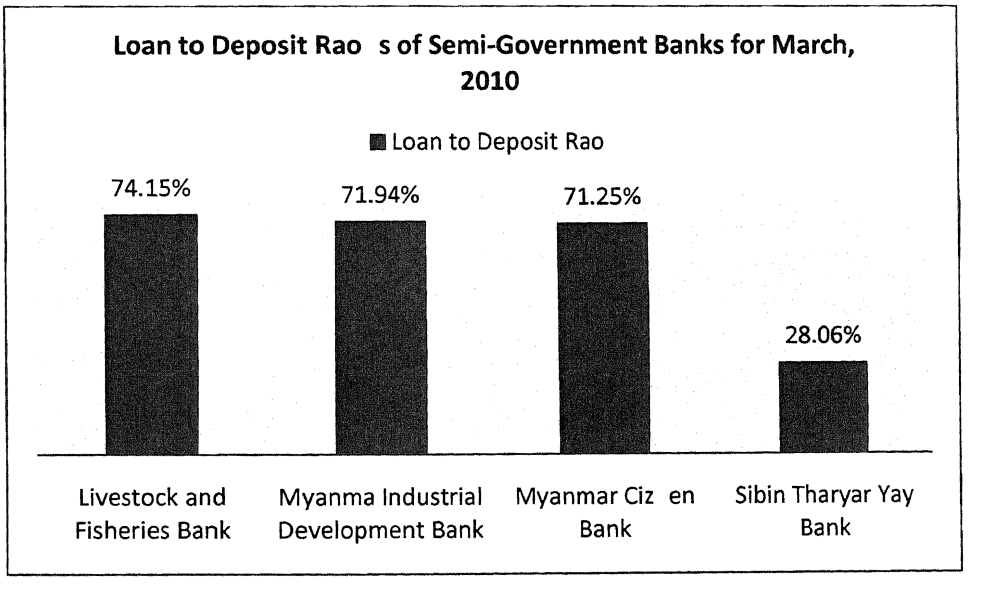

Figure 5-20: Loan to Deposit Ratios of Semi-Government Banks for March, 2010

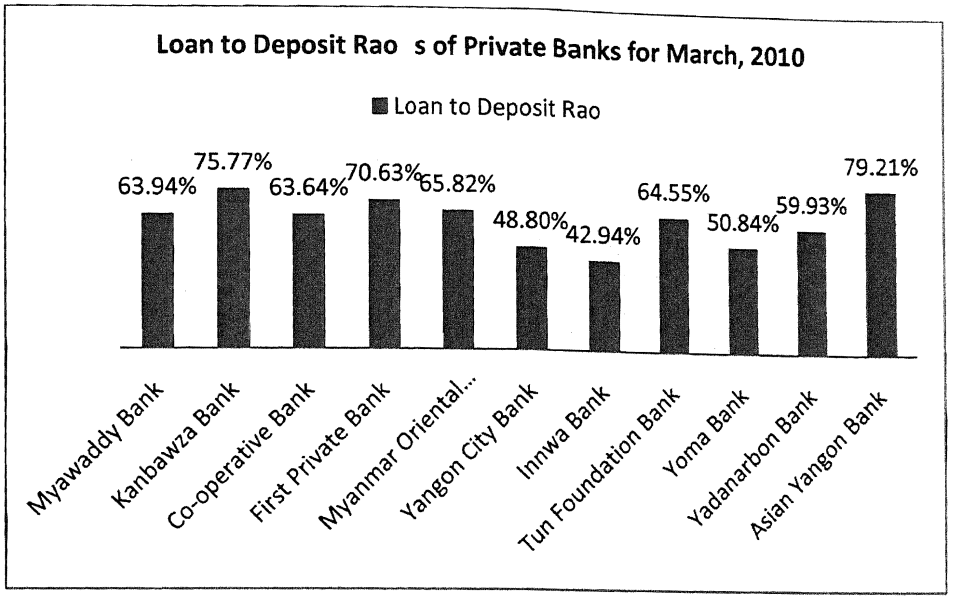

Figure 5-21: Loan to Deposit Ratios of Private Banks for March, 2010

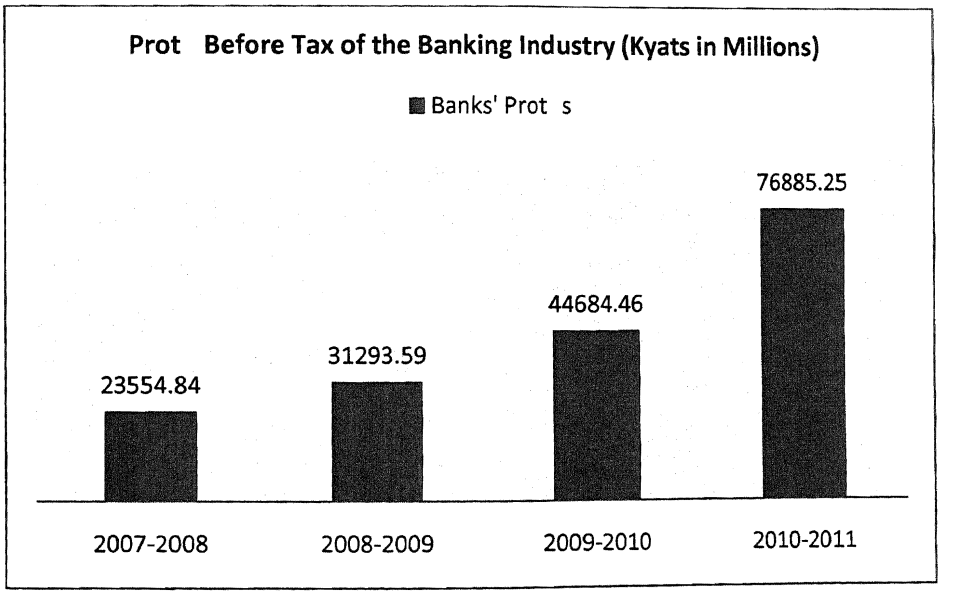

Figure 5-22: Profit before Tax of the Banking Industry over the Period of 2007-2011

The global banking sector itself is one of the most highly institutionalised industries in the world due to their impact on the economies as a whole. Myanmar's banking industry was even more regulated compared to other parts of the world with the presence of bureaucratic culture. Theoretically, increased official supervisory power was favourable for both the development and the stability of financial system. In fact, tighter regulations in capital requirements, collaterals, etc., resulted in banks to underwrite more profitable

loans, thereby, reducing the amount of non-performing loans (Barth et al., 2004). However, the data showed a very different scenario. These provided results made the study more interesting to analyse banks and regulatory institutions' interplay in borrowers' credit risk assessment processes. It should also be noted that higher non-performing loans did not imply that banks were experiencing losses as they have the collaterals which they could fall back on. The findings from this study could also transfer to global banking sector whose regulators were seeking ways to impose tighter regulations on banks to maintain financial stability. Myanmar might provide evidences of whether tighter regulations were effective.

With the CBM and government's close supervision for financial stability, it was expected that banks would have public trust. In addition, due to its small and limited number of banks and operating in the country and lesser credit being provided, Myanmar's economy could be categorised as a cash-based economic system. Many people had criticised in for the lack of proper functioning financial system. Nevertheless, that did not mean it had not experienced banking crises[11] like the other developed countries such as UK and US. In 2003, one of the largest banks in Myanmar, Asia World Bank's closure had a great impact on the people's trust in the country's banking system. This was reflected in the amount of deposits. In the following Figure 5-23, private banks' deposits were much higher than those of government banks' only until 2003. The event subsequently increased the amounts of deposits at government-owned banks until 2010-2011 financial year. The increment in that year coincided with the establishment of four new private banks. However, compared to the proportion[12] of the government and private-owned banks operating in the country, this increment was negligible. It indicated that private

[11] Banking crises are defined by two types of events: (1) bank runs that lead to the closure, merging, or takeover by the public sector of one or more financial institutions; and (2) if there are no runs, the closure, merging, takeover, or large-scale government assistance of an important financial institutions (or group of institutions) that marks the start of a string of similar outcomes for other financial institutions.

[12] Currently, there are 4 government-owned and 19 private banks.

banks did not receive much of general public's trusts compare to the government-owned banks despite the CBM acting as the lender of last resort. This could also be interpreted as people having little access to the banking services in Myanmar.

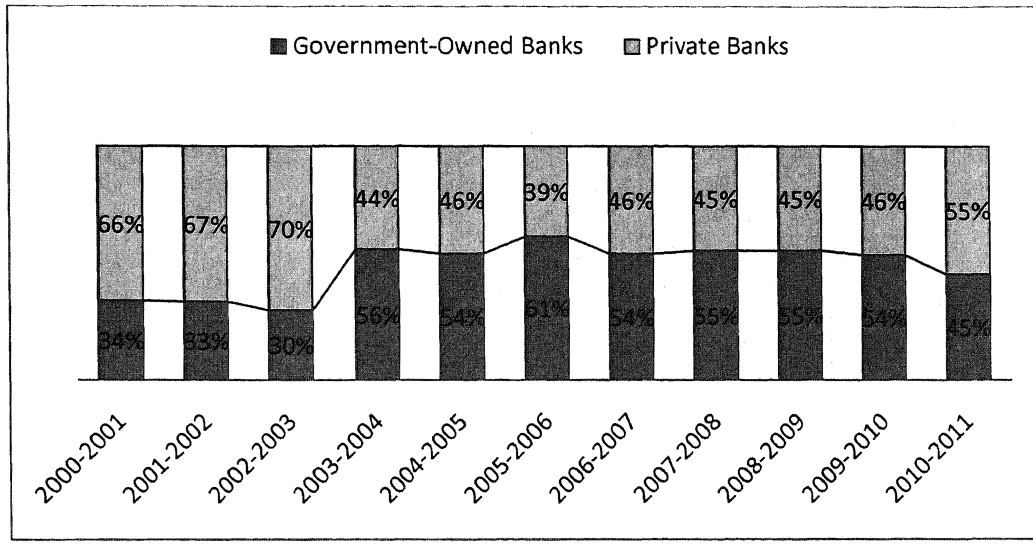

Figure 5-23: Deposits (Saving Deposits, Saving Certificates[13] and Time Deposits) in State-owned and Private-owned banks

At the same time, the government-owned banks tended to have larger non-performing loans as report in 1996 (Caprio, 2003). Similar to some other data, I could not obtain the latest information on the percentages of non-performing loans contributed by the government and private banks separately. Thus, private banks did not have sufficient trust from the general public compared to the government banks.

5.3 Conclusions

In summary, the analyses in the chapter provided that the banks' lending regardless of whether they were government or private owned, inefficiencies in sectorial-wise loan allocations for economic developments, risk adversities not only at regulatory but also at bank levels. These raised some questions on their lending procedures including assessments and monitoring in regard to the institutional pressures exerted upon them

[13] Saving certifications are not offered by private banks

from their institutional environment. In order to answer these questions, field work was conducted through interviewing with banks. The findings from the interviews will be explained in the following Chapter 6.

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SOCIOLOGICAL INSTITUTIONALIST APPROACH ON STUDYING BANKS' LENDING BEHAVIOUR IN MYANMAR (BURMA)

SANDAR WIN

PhD

2013

UNIVERSITY OF BEDFORDSHIRE

SOCIOLOGICAL INSTITUTIONALIST APPROACH ON STUDYING BANKS' LENDING BEHAVIOUR IN MYANMAR (BURMA)

by

SANDAR WIN

A thesis submitted to the University of Bedfordshire in partial fulfilment of the requirements for the degree of Doctor of Philosophy

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ABSTRACT

This is an exploratory study which investigated the process by which banks' lending behaviour in Myanmar (Burma) was influenced by the institutional environment and their responses towards them. The theoretical framework used in this study was primarily drawn upon Scott's new institutional theory. Since the theory focused on the convergent perspective rather than divergent perspective, the theory of Oliver's strategic responses to these institutional pressures, coercive, normative and mimetic, was incorporated in the theoretical framework development. The main method of data collection was interviews. NVIVO was used to analyse these interviewed data. However, descriptive statistics were also used to provide a comprehensive picture of the context being studied. The findings suggest that banks' always attempted to externalise risks to borrowers. Their responses to institutional pressures were to conform but a range of other forms of resistance were also found. However, strong forms of resistance were uncommon. I have also identified the situations in which the banks would choose either strong or weak forms of resistance to institutional pressures. Such identifications may add understanding to the specific lending strategies that are developed in different circumstances. The study also contributed to closing the gap in banking literature through conducting research in the context of Myanmar, which was previously unexplored. In addition, it suggests areas needed to be improved for financial sector development in Myanmar.

DECLARATION

I declare that this thesis is my own unaided work. It is being submitted for the degree of Doctor of Philosophy at the University of Bedfordshire

It has not been submitted before for any degree or examination in any other university.

Name of Candidate: Sandar Win Signature:

Date:

For my Mum and Dad

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Last but not least, I am really grateful to my parents and my brother who are always there to provide supports in every possible ways that they could.

List of Acronyms and Abbreviations

ATM	Automated Teller Machine
ASEAN	Association of Southeast Asian Nations
BCBS	Basel Committee on Banking Supervision
BoE	Bank of England
BSPP	Burma Socialist Programme Party
CAQDAS	Computer Assisted Qualitative Data Analysis Software
CAMPARI	Character, Ability to repay, Margin of Finance, Purpose, Amount, Repayment terms, and Insurance
CBM	Central Bank of Myanmar
EU	European Union
FDIC	Federal Deposit Insurance Corporation
FDI	Foreign Direct Investment
FEC	Foreign Exchange Certificate
FIRB	Foundation Internal Ratings-Based approach
FSA	Financial Service Authority
GDP	Gross Domestic Product

IMF	International Monetary Fund
IRB	Internal Rating Based Approach
MSEC	Myanmar Securities Exchange Commission
N/A	Not Applicable
NIS	New Institutional Sociology
ODA	Official Development Assistance
SME	Small and Medium Sized Enterprises
SPDC	State Peace and Development Council
UK	United Kingdom
US	United States
USDP	Union Solidarity and Development Party

Table of Contents

ACKNOWLEDGEMENTS v

List of Acronyms and Abbreviations vi

1 Chapter One: Introduction 1

1.1 Introduction 1

1.2 Background to the Research 2

1.3 Myanmar's Population Dynamics and Social Context 5

1.3.1 Policy Dynamics and Political Structure 7

1.3.2 Economic Conditions 9

1.3.3 Financial and Bank8ing Regulations in Myanmar 11

1.3.4 Comparison of Banking Regulatory Structure in Myanmar and the United Kingdom 13

1.3.5 Overview of the Performance of Lending Institutions in Myanmar 17

1.4 Research Aims and Objectives 18

1.5 Research Questions 18

1.6 Research Assumptions and Limitations 19

1.7 Significance of the Research 19

1.8 Contribution of this Research 20

1.9 A Review of Subsequent Chapters 20

2 Chapter Two: Literature Review 23

2.1 Introduction 23

2.2 Decision Making in Banks' Business Financing (Ex-Ante) 23

2.2.1 Different Premium Options 28

2.2.2 Rationality in Decision-Making 32

2.2.3 Limitations in Bank Lending Literature 36

2.3 Perspectives 37

2.3.1 Classical Decision Theory 38

2.3.2 Psychological Decision Theory 40

2.3.3 Social-psychological Judgement and Attitude Theory (Sociocognitive) .. 43

2.3.4 Sociological Theories and Policy Analysis 44

2.4 Analytical Domains 46

2.4.1 Micro Level 46

2.4.2 Meso Level 47

2.4.3 Macro Level 49

2.5 Rationale for the Study of Interplays between Banks and Institutions Using Sociological Approach 49
2.6 Conclusions 59
3 Chapter Three: Development of Theoretical Framework 62
3.1 Introduction 62
3.2 New Institutional Theory 62
3.2.1 'Institutions' Defined 63
3.2.2 Assumptions of New Institutional Theory 64
3.2.3 Differences between Institutional and Task Environment 70
3.2.4 Institutional Pressures 74
3.2.5 Banks' Strategic Responses to Institutional Pressures 83
3.3 Developed Theoretical Framework 88
3.4 Banks' Lending Practices 89
3.5 Conclusions 90
4 Chapter Four: Research Methodology 92
4.1 Introduction 92
4.2 Research Paradigms 93
4.2.1 Positivism 94
4.2.2 Critical Theory 94
4.2.3 Participatory Paradigm 95
4.2.4 Interpretivist and Constructivist or Naturalistic 96
4.2.5 Critical Realism / Postpositivism 96
4.2.6 The Paradigm for this Research 98
4.3 Exploratory and Qualitative Research 101
4.4 Criteria for Research Quality 105
4.4.1 Reliability 107
4.4.2 Validity 108
4.5 Data Generation 110
4.5.1 Written Documents and Data 111
4.5.2 Interview 112
4.5.3 Data Collection Process 119
4.6 Data Analysis: Interviews and Documents 131
4.6.1 Categorical and Thematic Analysis 132
4.6.2 Data Coding 135

4.6.3 Hybrid Coding 147
4.7 Ethics 151
4.8 Conclusions 153
5 Chapter Five: Overview of Myanmar's Banking Sector 154
5.1 Introduction 154
5.2 Country: Myanmar 154
5.2.1 Myanmar's Banking Industry 156
5.2.2 Assessment of Myanmar Banks' Performance in Lending (Secondary Data Analysis) 161
5.2.3 Assessment of Myanmar Banks' Loan Allocations 162
5.2.4 Assessment of Lending Efficiency 166
5.3 Conclusions 184
6 Chapter Six: Field Work 186
6.1 Introduction 186
6.2 Institutional Theory 188
6.2.1 Coercive Pressures 189
6.2.2 Normative 196
6.2.3 Mimetic Pressures 209
6.2.4 Summary 210
6.3 Institutional Strategies 210
6.3.1 Strategic Responses to Coercive Pressures: CBM 212
6.3.2 Strategic Responses to Coercive Pressures: Social-political Institutions 229
6.3.3 Strategic Responses to Coercive Pressures exerted from Other Sources 231
6.3.4 Strategic Responses to Normative Pressures: Corporate Culture (Indirect Influence of Coercive Pressure) 232
6.3.5 Strategic Responses to Normative Pressures: Developmental Governmental Guidelines 238
6.3.6 Strategic Responses to Normative Pressures: External Verifiers 241
6.3.7 Summary 242
6.4 Pressures to Gain Legitimacy 242
6.4.1 Coercive Pressures 243
6.4.2 Normative Pressures 247
6.5 Conclusions 249
7 Chapter Seven: Discussions 250
7.1 Introduction 250

7.2 Discussions of Oliver's Propositions in Relation to the Findings 251
7.2.1 Cause 254
7.2.2 Constituents 255
7.2.3 Content 256
7.2.4 Control 258
7.2.5 Context 258
7.3 Cyclical Effects of Institutional Pressures 259
7.3.1 Coercive Pressures 260
7.3.2 Normative Pressures 268
7.3.3 Mimetic Pressures 272
7.4 Implications 274
7.4.1 Theoretical Implications 274
7.4.2 Practical Implications 288
7.4.3 Methodological Implications 303
7.5 Conclusions 305
8 Chapter Eight: Conclusions 306
8.1 Introduction 306
8.2 Reflections on the Research 306
8.2.1 Research Questions 306
8.2.2 Role of Theories in Achieving the Aim and Objectives of the Research 307
8.2.3 Research Methodology and Methods 307
8.2.4 Research Process 308
8.3 Lessons Learned 310
8.4 Key Contributions to Knowledge 311
8.4.1 Contribution to Theory 311
8.4.2 Contributions to Banking Literature 314
8.4.3 Contribution to Practice 314
8.5 Future Research 315
8.5.1 To Test the Propositions 315
8.5.2 Comparison between Pre and Post Reforms or International Comparison 316
8.5.3 Triangulations with Further Studies from Businesses Perspective 316
References 318
Appendices 334

Appendix 1: Interview Request Letter 335
Appendix 2: Translated Interview Questions Guide 337
Appendix 3: NVIVO Coding Process Explained 349
Appendix 4: Daily Report Forms Provided by Central Bank of Myanmar to Private Banks 357
Appendix 5: Monthly Report Forms Provided by Central Bank of Myanmar to Private Banks 359
Appendix 6: Examples of Interview Notes 363

List of Tables

Table 1-1: Chronology of Developments in the Political Economy of Myanmar 8
Table 1-2: Ratios Measuring Performance of Lending Organisations (figures calculated based on World Bank Data) 17
Table 2-1: A Summary of Research Papers and their Methods and Aims of Studies..... 52
Table 3-1: Three Pillars of Institutions (Scott (2009)) 66
Table 3-2: Classification of Overlapping Factors to Respective Environments 72
Table 3-3: Strategic Responses to Institutional Pressures (Oliver, 1991, Etherington and Richardson, 1994) 85
Table 4-1: Definitions of Research Themes 113
Table 4-2: Interview Questions and their Related Research Questions 115
Table 4-3: Interview Subject Population 123
Table 4-4: Abbreviations and Type of Banks 125
Table 4-5: Characteristics of Interview Subject Population 126
Table 4-6: Actions taken by the Researcher to Avoid Limitations Arising from Thematic Analysis 134
Table 4-7: The Coding Structure (Institutional Pressures and Strategic Responses)..... 138
Table 4-8: Coding Structure (Heterogeneities in Banks) 139
Table 4-9: Coding Definitions and Principles for Concepts Derived from Institutional Pressures 141
Table 4-10: Coding Definitions and Principles for Concepts Derived from Oliver's Strategic Responses to Institutional Pressures 142
Table 4-11: Emerging Concepts and Coding Principles 144
Table 4-12: Example of Analysis – Interview Research 145
Table 4-13: Research Ethics 152
Table 5-1: Provisions for Bad and Doubtful Loans 167
Table 5-2: Classification of Non-performing Loans and Advances 168
Table 5-3: Additional Measures taken by CBM for Financial Stability 172
Table 5-4: Largest Bond Purchasers and their Shares in Total Bond Outstanding as at June 30, 2009 (Source: Win (2010)) 177
Table 5-5: Percentages of Security-wise Loans over the Period of 2007-2011 180
Table 7-1: Summary of the Definitions of Determinants of Institutional Pressures..... 252
Table 7-2: Summary of the Determinants of Institutional Pressures (Environmental Analysis using Oliver's Hypotheses) 253

Table 7-1: Deposits and Lending Interest Rates from the Period of 2000 to 2011 (Source: World Bank Database) 261
Table 7-2: Presence of Coding in Regard to Importance of Qualitative and Quantitative Factors in Lending Decisions 264
Table 7-3: Sources of Norms and Values in Government, Private and Semi-Government Banks 271
Table 7-4: Effects of New Entries of Competitors on Banks with Different Ownership Structures 273
Table 7-5: Presence of Coding in Heterogenetic Legitimacy across Banks 279
Table 7-6: Contingent Factors in Strategic Responses to Institutional Pressures 283
Table 7-7: Weak Forms of Strategic Responses to Coercive and Normative Pressures Identified from Interviewed Banks 287
Table 7-8: Strong Forms of Strategic Responses to Coercive and Normative Pressures Identified from Interviewed Banks 287

List of Figures

Figure 1-1: Myanmar's GDP Growth Rate and Inflation Rate from 1988 to 2010 (based on World Bank Data) 10
Figure 1-2: UK Banking Regulatory Framework 14
Figure 1-3: Hierarchy of Banking Regulation in Myanmar (adapted from CBM's Website: www.cbm.gov.mm) 16
Figure 2-1: A Summary of Banks' Lending Decision Process (Developed by the Author) 27
Figure 2-2: Risk enhancing impact of guarantees (Bessis, 2002) 29
Figure 2-3: Graphical Presentation of Literature Gaps 36
Figure 3-1: Examples of Institutions in Banking Industry 63
Figure 3-2: Environments and Outcomes 65
Figure 3-3: Relationships between Sources and Institutional Pressures according to Institutional Theory 67
Figure 3-4: Diagram of Oliver's (1991) Divergent Perspectives to Institutional Theory . 69
Figure 3-5: Overlap between Institutional and Task Environments (Developed by Author) 70
Figure 3-6: Proposed Theoretical Model for Factors Influencing Banks' Lending Practices 89
Figure 4-1: Elements of the Research Covered in this Chapter 92
Figure 4-2: Perspectives from Two Different Competing Paradigms (Developed by Author) 100
Figure 4-3: Summary of Data Collection Process 120
Figure 4-4: Coding Process 136
Figure 4-5: Example of Manual Coding of the Interview Transcripts by the Researcher 148
Figure 4-6: Example of the Visual Representation of the process by which Coercive Pressures affect Banks' Lending Process 149
Figure 4-7: Example of the Visual Representation of the process by which Coercive Pressures affect Banks' Lending Process 150
Figure 5-1: Timeline for Myanmar's Political and Economic Systems (P: Political System, E: Economic System) 155
Figure 5-2: Total Loans Provided by Banks (in Kyats) over the Period of 2007-2011 .. 163
Figure 5-3: Sectorial-wise Loans (in Kyats) over the Period of 2007-2011 164

Figure 5-4: Changes in Loans Provided to Different Sectors over the Period of 2008-2011 164
Figure 5-5: Sectorial-wise Loans in Percentages to Total Loans over the Period of 2007-2011 165
Figure 5-6: Sectorial-wise Contribution in Percentage of GDP over the Period of 2006-2010 166
Figure 5-7: Sub-standard, Doubtful and Bad-debts over the Period of 2007-2011 168
Figure 5-8: Sub-standard, Doubtful and Bad-debts in Percentages of Non-performing Loans over the Period of 2007-2011 169
Figure 5-9: Percentages of Non-performing Loans to Total Loans 169
Figure 5-10: Comparison of Total Loans and Net Loans 170
Figure 5-11: Comparison of the Percentages of Domestic Credit Provided by Banking Sector to GDP 171
Figure 5-12: Comparisons of Non-performing Loans (NPL) to Total Loans (TL) in Singapore and Myanmar 171
Figure 5-13: Excess Reserves of Semi-Government Banks for March, 2010 174
Figure 5-14: Excess Reserves of Private Banks for March, 2010 174
Figure 5-15: Liquidity Ratios of Semi-Government Banks for March, 2010 175
Figure 5-16: Liquidity Ratios of Private Banks for March, 2010 176
Figure 5-17: Capital Adequacy Ratios of Semi-Government Banks for March, 2010 ... 178
Figure 5-18: Capital Adequacy Ratios of Private Banks for March, 2010 179
Figure 5-19: Percentages of Security-wise Loans (except Land and Buildings) over the Period of 2007-2011 181
Figure 5-20: Loan to Deposit Ratios of Semi-Government Banks for March, 2010 181
Figure 5-21: Loan to Deposit Ratios of Private Banks for March, 2010 182
Figure 5-22: Profit before Tax of the Banking Industry over the Period of 2007-2011 . 182
Figure 5-23: Deposits (Saving Deposits, Saving Certificates and Time Deposits) in State-owned and Private-owned banks 184
Figure 6-1: Summary of the Findings 187
Figure 6-2: Graphical Presentation of RQ1 188
Figure 6-3: Graphical Presentation of the Outline of this Section 211
Figure 6-4: Indirect influence of the political and regulatory institutions on corporate culture 232
Figure 7-1: Process of Regulatory Influences on Banks' Lending Process 263
Figure 7-2: Consequences of Coercive Pressures and Lack of Legal Laws 267

Figure 7-3: Process of Normative Influences on Banks' Lending 270
Figure 7-4: Consequences of Normative Pressures 272
Figure 7-5: Banks' Opinions on the Pressures Exerted from CBM 275
Figure 7-6: Banks' Strategic Responses to Institutional Pressures 282
Figure 7-7: Graphical Presentations of the Decision Making Patterns at Different Levels: Institutional, Industrial and Organisational Levels 285
Figure 8-1: Summary of Findings with the Framework of Institutionalisation Process of Banks' Lending Practices in the Context of Myanmar 311
Figure 8-2: Future Research Directions 317

Chapter Six: Field Work

6.1 Introduction

The secondary data analyses, which provided the current circumstances of Myanmar's banking industry. They showed that banks were not allocating and managing loans efficiently. These raised concerns on Myanmar banks' internal risk assessment procedures and their responses to the tight regulations imposed by the regulatory authorities in highly bureaucratic environment. Though it was necessary to understand how banks were institutionalised, there was also a requirement to understand the strategic responses to institutional pressures as to explore the banks' regulatory arbitrage and under what circumstances they took place. This confirmed that through regulatory approach alone would not create a functioning stable financial system.

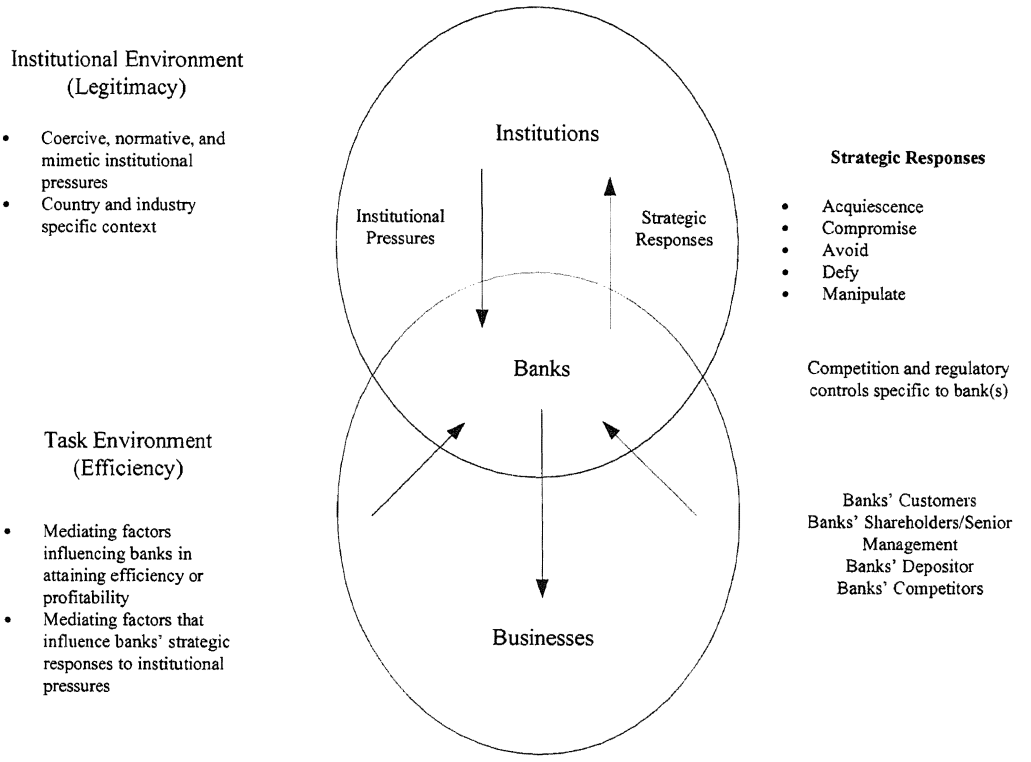

Figure 6-1: Summary of the Findings

Therefore, interviews were conducted in Myanmar to answer these questions. In other words, the research aimed to explore institutions and banks' interplays in lending to businesses. To achieve this, two theories were used to guide the researcher in data collection. They were institutional theory and Oliver's strategic responses to institutional pressures. Unlike from social constructionist view of institutionalism, applying institutional theory to organisational studies from critical realist perspective allowed the researcher to uncover non-conformity by banks to institutional pressures and the stimuli creating differing strategic responses. According to the institutional theory, changes in institutional environment of organisation might result in homogeneity across banks' lending practices in the industry. They were coercive pressure, normative pressure, and mimetic pressure.

As it is exploring interplays between banks and institutions, it was appropriate to present the findings with different pressures exerted on banks along with their responses to them

when they were in the situation of having to attain legitimacy while achieving efficiency or increasing profitability. The categories of these strategic responses were developed by Oliver (1991). They might employ acquiescence, compromise, avoidance, defiance, and manipulation strategies. Such kinds of behaviours and responses along with the stimuli, mediating factors that could deviate from conforming to institutional pressures, for banks to engage in these kinds of behaviours were described and analysed along with the supporting empirical data.

6.2 Institutional Theory

As this study incorporates two theories, the findings can be presented from two theoretical perspectives. This section is addressed from institutional theoretical perspective. Hence, it will address the research question one:

RQ1: How are banks' lending practices influenced and what sources influence them?

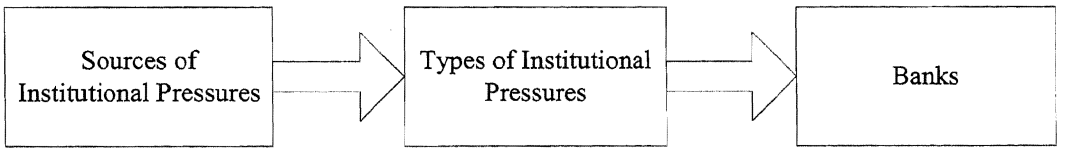

Figure 6-2: Graphical Presentation of RQ1

The above diagram, Figure 6-2 provides graphical presentation of the first research question. The institutional theory has been applied to understand how institutional pressures influenced banks' lending practices. These pressures are examined through their respective sources to understand what institutions the banks are exposed to and how they affect them.

6.2.1 Coercive Pressures

6.2.1.1 Central Bank

Coercive pressures from the central bank can be categorised as formal pressures exerted on banks through formal media by the government in order to maintain financial stability. These pressures or restrictions arising from CBM enforcement of banks was mentioned by the interviewees as follows.

Collateral requirements imposed by CBM were also mentioned by the interviewees in many accounts by both the government and privately affiliated banks.

> *40% of the collateral's force sale value only. We can only lend 20% of paid-up capital and reserve to a single individual. If we can lend the amount, we do. We give only short-term loans.*
>
> S-B

> *Since we can't take the business as a collateral, we take land and building as a security.*
>
> G-B

The stricter regulations imposed on the banks after 2003 financial crisis were also mentioned by the banks during the interviews.

> *Before central banks' regulations, we accept apartments and cars as collaterals. Now, we have to take only mortgages.*
>
> P-A

> *Since there is no guideline by the government to accept loans without security, all of them are secured loans. In the past, we*

accept commodities, gold as collateral. After 2003, we can only take real estates as collaterals.

P-B

The quotes coded under restrictions in interest rates were important in analysing banks' lending behaviour. These indicated that banks' lending interest rates were not based on the borrowers' business risk or the interbank lending rates as LIBOR in the UK but were set by CBM. The following quotes were coded:

We have no administration charge. But we have restrictions on interest charges. They are set by the Central Bank.

G-C

The interest premium is regulated by the government, we can lend not more than 17% interest rate. But for industrials and agricultural businesses, we lend with 15%. Other than that, we lend them at 17%.

P-B

Strictly regulated. They gave us the benchmark rate. We can charge maximum 17% and service charge 1%. So, total 18%. It is the highest in the world. In Brazil, it's just 12% and in Pakistan, I guess, it's only 10%.

S-B

According to the law, it's priority rate plus 3% for deposits and plus 6% for lending rate. However, in the end, we were told to lend at

17%. There is some unfavourable legislation.

S-D

Since we give 12% on deposits, and we are only allowed to lend 80% of the deposits by the Central Bank, we don't change interest rates.

S-E

Along with the restrictions in interest rates, banks also did mention of the restrictions in the sizes of loans that would be provided to borrowers. These restrictions could be based on the collateral values as well as the maximum amount of loans that could be provided to the borrowers.

The guidelines told us that the loan size should not be 30% if the land value and 50% of the building.

G-A

It depends on the collateral value and the maximum amount that an individual applicant can get is stated by the central bank law. According to the Law, we can only give 30% of the land value and 50% of the building value.

G-B

We look at the business and its liquidity and solvency. We can only lend 20% of total capital and reserves. If we can lend the amount, we do.

P-A

Guidelines are driven based on the law and central bank's instructions. We have a policy not to lend more than 70% to 80% of the deposits. According to the central bank, a lending

limit to a single client is 20% of the bank's capital and reserve. The maximum an applicant can get is the 50% of the value of the collaterals.

P-C

Capital + paid-up capital x 20% is the maximum that an individual can get (according to the CBM).

P-D

Since we give 12% on deposits, and we are only allowed to lend 80% of the deposits by the Central Bank, we don't change interest rates.

S-E

These restrictions were found in all banks irrespective of their ownership structures. This indicated that there were homogeneities among banks.

As mentioned in the literature, providing short-term loans indicated banks' risk adversities or externalisation of risks to borrowers because banks could reassess the borrowers' risks regularly. CBM imposed restrictions when banks provide loans to the businesses indicate its risk adversities. Such attitudes reflected in the banks' risk attitudes as well.

All of our loans are short-terms. It would be more appropriate to term them as overdrafts which can be renewed every once a year. We used to have long-term and according to the law, we can give long-term loans.

G-B

We only lend short-term loans because our deposits are also short-term. If we give long-term loans, there will be a mix-match. All the loans are one-year and renewed every year.

P-B

40% of the collateral's force sale value only. We can only lend 20% of paid-up capital and reserve to a single individual. If we can lend the amount, we do. We give only short-term loans.

S-B

Only one year, because CBM does not permit. The loans can be renewed for 6 months or one year depending on the track records.

S-C

In summary, collateral requirements, restrictions in interest rates, loan size and terms are the most important measurements of banks' lending behaviour. For instance, the acceptable collaterals were only immovable properties excluding those that were tied up with borrowers' businesses. This indicated CBM's risk adversities. Since personal properties were not related to the survival of the businesses, banks were able to recover their loan losses in case of the borrowers' bankruptcies. Interest rates being capped at certain rates might be seen as some forms of internalisation of risks. However, if it were to be observed along with the banks being restricted to only providing loans with short-term maturities, risk adversities were still prevalent. The following codes could also provide the process by which banks' lending to businesses was constrained within different limitations.

Determining the sectors that banks lend to was based on the CBM guidelines. Though

this might not be seen as an important code, however, from the perspective of observing the banks from the extent to which the government had control over the banks would have on them, this code should not be discarded. It indicated that the government had strict control over the basics in which banks conduct lending to businesses. Both the government and private banks had mentioned that they had to categorise the businesses that they lent to according to the CBM.

> *When we lend, we look at the 5Cs. Then, we look at the sectors in which the borrowers' conduct their businesses. They are differentiated into production, service, construction, transportation, etc. It is according to the CBM.*
>
> G-A

> *Production, Trading, Transport, Construction, Services and so on. They are according to the Central Bank.*
>
> P-C

Banks' internal loan loss policies were also structured according to the CBM requirements.

> *If the borrower cannot pay back for three quarters, we consider them as loss. This is according to the central bank's policy. Since we have checked the business and collaterals thoroughly, we don't have losses.*
>
> S-A

In addition to the loan loss policies, banks would have to face penalties for not conforming to the regulatory guidelines.

If the lending has exceeded the limit set by the central bank, we have to pay penalties.

P-B

The question being asked to the interviewees was whether they were allowed to increase or decrease the interest premium and service charge if they thought the targets set by the bank might be high for the loan applicants. The following responses were given by the interviewed banks.

No, we can't. They are according to the Central Bank's guidelines.

G-C

Service charge of 1% and commitment charge of 1% of the remaining loan amount with the bank. They are in accordance with CBM.

P-D

In many developed countries, service charges were determined by the banks themselves. However, in Myanmar, service charges were determined by CBM.

6.2.1.2 Social-political Institutions

Social-political institutions also exerted coercive pressures on the banks, thereby shaping banks' lending practices.

It depends on case by case basis. If the government said we should pay, then we pay. The decision is done by different management levels.

G-A

when there was Nargis Cyclone, the government asked us to lend to salt businesses. After Nargis, we don't lend anymore. In coordination with Sibin Tharyaryay bank and co-operative bank, we have also lent to Shwe Than Lwin for converting cars to CNG compatible cars.

S-A

Well, for some cases, for instance, during the time of privatisations of official buildings, with the authority guidelines, we lend at 16% interest rates

S-C

Sometimes if it's the government policy to lend to certain sectors, for example, salt factories, we have to lend without collaterals while the guarantor is the salt department in the Ministry. There, we have to lend at 15%. This rate is also for Industrial loans.

S-D

Indeed, social political institutions could help shape banks' lending to different sectors, their roles changed depending on different circumstances.

6.2.2 Normative

The literature had identified the sources of normative pressures were identified as corporate culture, professional associations, external verifiers and the government (its developmental guidelines). However, from the interviews with the banks, additional source identified was the borrower's affiliated industrial associations which could

determine the borrower's credibility. As with coercive pressures, the normative pressures could be identified based on the sources as follows:

6.2.2.1 Corporate Culture

Corporate culture was analysed through banks' decision approval process, reward system, trainings given to employees, their risk adversities and ethical concerns, etc. It should be noted that corporate culture was an alternative analysis of the impact of national culture on banks. As it was noted in the literature, bureaucratic culture was prevalent in the country. Hence, authority at senior management levels, collective reward systems and their types of competitions advocated by the banks would suggest how the banks' lending practices were shaped.

Authority at Senior Level Management

Decision approval system, where the loan officers were given less or no authorities to make decisions, confirm the influence of hierarchical culture on banks. Starting from governments to private banks, the ownership structures had no effect on their decision making styles, i.e. loan officers had no authority to make any decisions regarding loan approvals.

> *From 300 million to 20 billion kyats, the decision is made by BOD. Larger than that, it's the minister's decision.*
>
> G-A

> *Yes. Loan officers can make personal judgements but they need to be approved by the management.*
>
> P-C

Most of the interviewees had emphasised the importance of BOD members and the senior

level management in providing loans. In some cases where the banks had government ownership, ministers of their respective affiliations were also engaged in decision making process.

> *If the members of board of directors brought them to the bank, we lend to them.*
>
> *Board of Directors make the decisions on the maximum amount of credit to give. They also decide on the percentage of collateral value that they are going to give to the borrowers. However, for some of the borrowers, for instance, Dr. Khin Shwe, the loans given to them are more than the value of his collaterals.*
>
> *The BOD usually market credit for businesses.*
>
> *When the borrowers are brought to the bank, they are guaranteed by at least one of the Board of Directors.*
>
> *It's the collaterals. The final decision is made by the Board of Directors and the Minister.*
>
> S-E

As described in the interview with S-E bank, BOD members were not only part of decision making but also play an important role in marketing for the business and assessments of the borrowers' credibility.

> *We have loan assessors. Even directors do field study to check whether there is real business or not.*
>
> *Our rules are based on the CBM law. 55% of the stake is owned by the government, so all of them are based on the CBM. The trading minister is part of the management.*

It is led by the director. There are 12 members in the board and managing director is part of it. Board of directors always overrule.

the board of directors give approvals. Field inspection is also done by one of the directors.

S-C

In some cases, apart from BOD members, shareholders also played an important role in loan approval process.

We have shareholders and traders in each branch who are overseeing the operations. Our way of operating is similar to Japanese banks. Final decisions are made in the main branch. However, the applications are first evaluated and recommended by the committee of shareholders and traders.

If the shareholders are able to guarantee, we give priority.

P-A

It's the BOD who makes the final decisions.

S-A

Though some of the banks had mentioned of decentralising the assessment process, the final decisions were made by the management and centralised committees.

since our bank has different branches, they have their own set committees. We have proficiency assessment team in headquarter and centralised loan committee.

P-B

Loan amount less than three billion kyats are made by credit committee and over that has to be done by the board of directors.

It is easier for us to verify the loan applications if the borrowers borrow from their respective branches and then approvals are made at the main office in Yangon.

P-D

The limited role of loan officers became more prevalent when S-D bank mentioned that there were no conflicts among employees in regard to final decisions.

Yes, we have credit management committee headed by the chairman.

There is no conflict among employees in regard to making loan decisions because they are made by management.

S-D

Even with the agricultural bank, where transparency was appreciated, the loan officers were more engaged in administrative work than taking part in loan approval process.

Not really. It's the branches. The applications are sent to the main office through Ministry of Agriculture. Once they reached

the bank, all the documents are in place, including, the application documents and the stamp of the Ministry. The farmers don't come directly. It's the branch manager's decision. Then, the applications are sent to the main office for approval.

We have meeting at the main office. We invite the branch manager. These meetings take place within one month of the applications. If the applications are made at the end of March, they are given in April.

G-C

In summary, the interviews with the banks uncovered the fact loan officers had little role in making lending decisions. It was also interesting to find that BOD members' engagement in borrowers' credibility assessments by conducting field studies

Lack of Competition among Sister Branches

Before describing the quotes coded under this main theme, it was important to understand why this code was worth studying for exploring banks' lending behaviour. In many developed countries, for example, in the UK and US, the banks would encourage competition among its branches across the countries, which could motivate the staff members to take more risks, thereby; aggressive risk taking behaviour was promoted. However, in Myanmar, the lack of competition among sister branches indicated that there would be less risk taking behaviour.

We don't compete with sister branches. All is one and they have to work hard together.

S-D

No, it depends on the existence of branches and developments, we compare quarterly performances. However, the performance is always much better than previous years. However, if the performance is low, they have to give reasons.

P-C

Nevertheless, risk taking behaviour among the banks might change over time as one of the interviewees mentioned of the potential of changing it to improve their performance.

Not now, but we will do in the future if it would improve the bank's performance.

S-C

Collective or No Reward System

Similar to the previous code, collective reward system where, employees or loan officers' bonuses were paid based on annual profits instead of the number of loans they could made in a financial year, indicates that banks' were not encouraged risk taking behaviour.

However, we give rewards based on profit and loss account of each branch. We have reward system but it is not based on the amount of loans but based on the branch.

P-A

Depending on profits, we give bonus to staffs.

P-C

We have end of the year bonus system. Depending on the profit, they can get 13 or 14 times their salary as bonus.

S-B

Bonus is for every staffs, depending on the profit, we give two to three times of the salary as bonus.

S-C

It is based on the profit. Amount of bonus usually is three or four times the salary. Depending on the staff performance (i.e. not taking any leaves), in the last six months, they can get promotion. In New Year time (between March and April) and full moon day Thadingyut (in October) we give them bonuses.

S-D

Before the budget closes, they look at the profit and loss account, they decide on the bonuses. So, it's only once a year.

S-E

As it was mentioned by the banks, the bonuses were not made depending on the number of loans provided but based on the end of the year profits; therefore, banks were more cautious in providing loans that would reduce the end of the year profit. This affected lower level staffs' risk taking behaviour. It went more extreme in some government banks where they mentioned that they had neither bonuses given to the staffs nor

competition among the branches.

> *We have no competition among sister branches and no bonuses are given to staff.*
>
> G-A

> *No. We don't have reward systems for staff.*
>
> G-B

> *The central office gives some rewards for collecting loans. The rewards are given based on whether the branches can give loans early and recollect quickly and it is given to those top 10 branches.*
>
> G-C

G-C, an agricultural bank, which engaged in microfinance loans, had different operational process. However, similar to the other banks, it could be induced that the system did not encourage employees to take excessive risks.

Risk Adversities and Ethical Concerns

Banks, in general, are risk adverse and would like to transfer risks to the customers by charging higher interest premiums or put higher collateral requirements. In Myanmar, banks could only provide lower than 50% of the collateral value with the assumption that they did not have other methods of risk mitigation. Banks' elimination of risks by refusing to lend to businesses without transferring risks to the borrowers could also be seen:

> *The bank does not support shipping businesses and gems businesses because they are risky. If we take ships as collateral, we can lose our investment if the ships sunk.*
>
> P-B

> *Mining and Constructions are very risk businesses. According the ethics of the bank, it does not lend to those businesses that involved in poultry farming. We also decline to support film industry. Though we consider constructions to be risky, depending on the profitability, we sometimes lend to them. However, the rate is not flexible even if the borrower is creditworthy.*
>
> P-C

Burmese culture is predominantly influenced by Buddhism. Therefore, these values can be found in the banks' lending practices. For instance, two of the interviewed private and one semi-government banks mention that they refuse to lend to businesses that engage in alcohol, cigarettes and poultry farming which involves 'killing' animals. As these industries themselves are risky businesses, their risk adversities could be related to their ethical concerns.

> *If the businesses are not in accordance with government policies or oppose to government, we don't lend them. We are kind of strict with alcohol related businesses*
>
> P-D

Some of the banks also state that they do not lend to construction and gem businesses because they are too risky. This is similar to Islamic banking's or sustainability lending's philosophy which is to ensure that banks engage in ethical investing. It is to be noted that there is no Islamic banking activities or products in place at the moment in Myanmar. Nevertheless, government banks do not have any restrictions.

According to Hofstede (1984), it can be termed as "high uncertainty avoidance" where people try to minimise the occurrence of unknown and unusual circumstances and to proceed with careful changes step by step by implementing rules, laws and regulations.

> *We decline to support construction, timber and gem industry because of high risk involved.*

P-A

All in all, it shows that there are homogeneities in banks' decision approval processes, levels of authority given to loan officers and also their reward systems (though government banks have not mentioned any types of rewards given to them).

6.2.2.2 Industrial Associations

Though quotes under this category were limited, it should not be discarded as the data suggests the role of additional institutions in determining borrowers' credibility. It was mentioned by two interviewees that the industrial associations in which borrowers' were part of could provide the banks with their reputations and characters in the industry.

> *We look at the borrower's character, his reputation, references from the industry,*

P-D

> *Industrial associations and their members can provide us with the borrower's character and their reputations. You see, the numbers of businesses engaged in each industry are very limited, so, everyone knows each other.*

S-E

Since banks only provided loans to large businesses which belong to certain industrial associations, it is reasonable for them to use them to determine the perspective borrowers' credibility.

6.2.2.3 Myanmar Bankers' Association

Professional associations serve as a setting for "intra-professional discourse" regarding legitimacy (Dacin et al., 2002) and disseminate agreed values and norms. These types of professional associations are influential in promoting institutional change such as responding to market forces, alteration in the political context of banking. Therefore, new mechanisms resulting from these changes in power alignments that could delegitimise existing normative frameworks, or other forms of control, are communicated in these types of professional institutions across the globe. Similar to other countries, Myanmar also has its own association for bankers called "Myanmar Bankers' Association" (MBA).

MBA provides a wide range of courses for the staffs across the banks in Myanmar. It has a strong network that links banks and provides extensive training programmes delivered by the senior level managers of the banks in the country. For example, the interviewed managers mentioned sending their staffs to MBA to continue their studies. Therefore, shared beliefs and values are expected to be passed down through these training programmes, thereby, creating normative working communities. The two interviews with the banks' directors mentioned that they did not look much on whether the prospective employee was graduated from the university with either Arts or Science degrees. However, for continuous professional development, the staffs were required to attend trainings at MBA.

> *Yes. We have internal trainings. For different levels of staffs, trainings are provided by Ministry of Tax and Revenue. For external trainings, they are sent to India. Some of the staffs are given on duty leave for a*

year to study the courses provided by the Myanmar Bankers' Associations.

G-C

We have Myanmar Bankers' associations where the trainings are given. We also give in-house inductions.

P-D

Yes, we give trainings to staffs. On-going trainings are also given by Myanmar Bankers' Associations.

S-A

We have Myanmar Bankers' associations where the trainings are given. We also give in-house inductions as soon as they start working. They must be 18 years of age, graduated to a degree level with major in business, finance and accounts. To enter into the bank, they should pass written and verbal examinations.

S-C

Yes, we do give trainings once they start their work. They mostly learn from experiences and colleagues. We also send them to trainings provided by Myanmar Bankers' Association and the Central Bank.

S-E

These examples show that some of the banks' loan officers have no significant prior knowledge of the banking activities, thus, they do not have their own values and norms at the beginning of their placement but the desired normative framework within the industry is imposed upon them through their work experience and intra-professional trainings. Since I was unable to interview loan officers or those who have received these types of trainings, I cannot certainly state that this professional association passes shared values

and norms to the employees. Pressures exerted on banks through professional associations are not found in particular, however, the banks have a common training arena, and it is expected that bankers would share their norms, values and beliefs. All in all, it can be implied that similar normative framework is established within the banks' employees through the same trainings provided by the senior level managers in the banking industry.

6.2.3 Mimetic Pressures

The conversations with interviewees, they stated that they did not mimic any best practices in the industry as all of them were lending under the same standards and criteria. The only difference among them was their customer base. They also mentioned that no one was creating industry best practices as they were not allowed to. They stated that they knew each other's lending practices as they were all the same, same collateral requirements, interest rates, etc.

One of the banks mentioned that they do imitate the process by which foreign banks such as Singapore in handling customer services. Another bank stated that their organisational decision making process was similar to that of Japanese banks. It is to be noted here that Myanmar looks up to Singapore and Japan. The country, itself has a number of different relationships and support from these countries. However, none of them had mentioned that they imitated each other or had any differences.

Our practices are similar to that of Japanese banks

P-A

We imitate the OCBC bank's one stop service system

S-C

From the empirics, it can be implied that the decision to mimic best practice in the industry is contingent upon the recognition of the importance of other pressures (coercive and normative). If the other pressures are higher, it would be less likely for the banks to mimic other types of banks' lending practices. In addition, when the organisations are highly institutionalised, it becomes very difficult or impossible for banks to be innovative in their activities, thereby, no opportunities for banks to imitate industry's best practices. Therefore, the research would suggest further studies to test the above induction from the empirical data in different context.

6.2.4 Summary

This study has addressed the first research question by providing how banks' lending practices were shaped by the banks' institutional environment. It has identified that the CBM was the main source to exert coercive pressures and shape the banks' lending practices and it had a great impact on banks' financial resource allocations. Some banks were also exposed to coercive pressures from political institutions. The main source of normative pressures was the MBA which provided trainings to the staff members, setting ethical guidelines and providing continuing professional developments to staffs of the Myanmar's banking industry. The government also played a minor role in exerting normative pressures on the banks' loan allocations to different industries. Though coercive and normative pressures could be found explicitly, mimetic pressures could not be identified. It can be implied that the decision to mimic best practice in the industry is contingent upon the recognition of the importance of other pressures (coercive and normative).

6.3 Institutional Strategies

By focusing on the external environment, an institutional theoretical perspective has paid less attention to what happens to banks' own mechanisms of managing such institutional

pressures in achieving efficiency. Through the introduction of strategic responses, the relationship between agency and institutional forces can be understood. The underlying assumption is that banks under different circumstances and situations will approach different strategies to achieve their desired outcome or to avoid the need for conformity. Though it is necessary to understand how banks are institutionalised, there is also a requirement to understand the strategic responses to institutional pressures as to explore the banks' regulatory arbitrage and under what circumstances they take place. This is to uncover non-conformity by banks to institutional pressures and the stimuli creating differing strategic responses.

Hence, this section will be able to answer the following three research questions:

RQ2: How do banks respond to these (institutional) pressures?

RQ3: What are the influencing (contingent) factors?

RQ4: How do their chosen strategies affect the end outcome, legitimacy and efficiency?

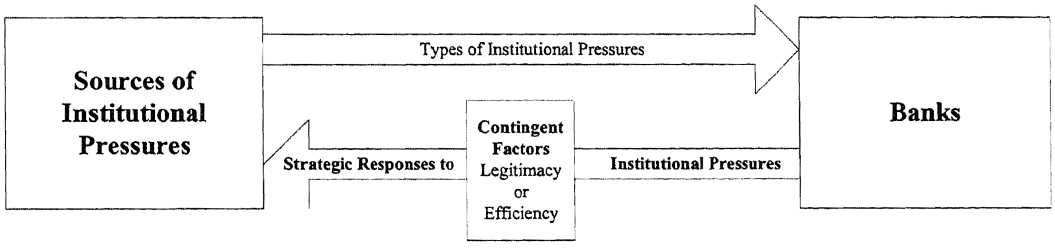

Figure 6-3: Graphical Presentation of the Outline of this Section

The previous section in which institutional pressures faced by the banks were presented, it was similar to the banks' strategic response 'acquiescence' or 'conformity' discussions. However, the main emphasis here is to present the discussions on contingent factors or the circumstances under which the banks can deviate from conforming to institutional pressures to achieve efficiency.

6.3.1 Strategic Responses to Coercive Pressures: CBM

According to institutional theory, the expected strategic response to institutional pressures is 'acquiescence' or 'conformity'. As a requirement, banks must conform to rules and regulations stated by CBM if they are operating within their jurisdiction. Hence, non-conformity by banks can be penalised and their licenses can be revoked under their authority. Indeed, the country's long history of bureaucracy plays an important role in how these coercive pressures are exerted upon the banks. Nevertheless, the research has found strategic responses other than 'acquiescence' to coercive pressures. Banks non-conformities to the institutions' coercive pressures are also contingent upon different factors.

6.3.1.1 Acquiescence: Comply

There are three tactics for organisations to respond to strategic responses under acquiescence. They are 'Habit', 'Imitate' and 'Comply'. In Myanmar, banks' compliance to the restrictions imposed on them by CBM is expected. In Myanmar, banks are required to conform to the CBM's rules and regulations as stated. For instance, banks are not supposed to exceed the lending and deposit rate caps. With the pressure to assist financial stability, banks are required to adhere to prudent financial measures set by the regulatory authorities. Though banks in Myanmar did not have to follow the international guidelines such as Basel Accord, they have to follow the guidelines set by the national regulator. In addition, they also have their own set of guidelines in determining the amount of loans given, interest rates charged and credibility and authenticity of the borrowers.

From the interviews, pressures exerted on banks through the central bank and regulatory bodies are very high. All the interviewed banks pointed out that they are supposed to follow the regulatory guidelines as not conforming to these rules could result in facing penalties. Collateral requirements and interest rates are set by the central bank; therefore,

banks have no unsecured lending and borrowers' characteristics and personalities become less important in loan approval process. CBM is not an independent institution; therefore, the government's influence can be seen. It favours repo-style transaction lending or collateralised lending over relationship lending.

Collateral Requirements

"Collateral requirements" was one of the themes that were mentioned quite repeatedly by the interviewees. These banks mentioned that they were constrained with the collateral requirements imposed by CBM, therefore, were not able to lend as much as they could before 2003 financial crisis.

> *Even if we know that the applicant is trustworthy and his serviceability is high, without collaterals, he would not get loans*
>
> P-B

> *Borrowers' credibility and serviceability are determined mainly through the quality of collaterals.*
>
> P-A

CBM determined collateral requirements specifically by stating that banks can only accept real estates and immovable properties. Apartments and other commodities such as gold and jewelleries were not acceptable as collaterals. Thus, qualities of collaterals were important in determining the amount of loan an applicant could get and they were used to mitigate credit risk exposures:

> *We look at the type of buildings build in the collateralised real estate, the location and marketability affect the borrowers' requested amount of loan. If the borrower has no collaterals, guarantors should be there*

with their deposits account or assets should be collateralised. These guarantors must be close relatives, preferably, parents.

P-A

They also stated that they had no intention of giving borrowers loans if they could not provide collaterals.

There is no maximum amount of loan an individual loan applicant can get. It depends on the collateral. If they have enough collateral to cover their loans, we lend to them. If the loan applicant needs more, they must give more collateral. But we have this guideline that 20% of our total loans should not be for only one business/company.

P-B

They mentioned that they had to comply with these restrictions on the types of acceptable collaterals which are only land and property. Though they were not happy with not being able to take apartments as collaterals, they would have to impose these on the customers too.

It will be better if we can take apartments or condos as collaterals, such a way, we will be able to lend more.

P-A

Thus, these findings explained the existence of high land and building based security loans as shown in Table 6-5. In other words, conformity to CBM's restrictions could lead to increase in loans based on immovable properties.

Interest Rate Restrictions

The theme 'interest rate restrictions' was the second highest theme identified in coding. In developed countries, the financial sector is the one which determined the banks' interbank lending rates and subsequently, changes the floors and caps of the interest rates, including borrowing and lending rates. In contrary, CBM is the one that regulate these interest rates stating that banks could charge interest rate of more than 17% and deposit rates should not be less than 12%. The CBM also encouraged banks to provide industrial loans at lower interest rates. Shareholder-owned bank, P-A seems to not lower the interest rate from 17% though other banks, such as P-B and P-C sets interest rates lower based on their preferences. According the regulatory requirements, all banks are not allowed to have long-term loans.

> *The management sets lower interest rates for industrials and agricultural businesses and lend at the rate of 15% and give priority to export sector.*
>
> P-B

> *The standard interest rate is 17%, however, if the production sector meets industrial criteria, they would be charged at lower rate of 15%*
>
> P-C

Another factor that banks are forced to comply with is the interest rate restrictions despite of them wanting to change these interest ceilings and floors.

> *Well, you see, the interest rates set by the CBM have the same interest rate spreads of 5%, irrespective of whether to say they are low or high. What we want is to have that spread higher because it is not profitable.*

P-D

Hence, the compliance to CBM's interest rate restrictions regardless of their willingness to change these restrictions was found among the interviewed banks. Interest rates paid on deposits are also regulated by CBM.

> *We are also not allowed to give higher deposit interest rate than the government.*

P-B

> *The Central Bank stated that the interest should not be more than 17% but can be less than that. The deposit cannot be more than 12%.* It's always 17%. Inflation is 25% but loan rate is less than 20%.

P-A

The above statements given by the banks indicated that despite the unreasonable demands placed by CBM on them, they had to conform to those requirements. Therefore, banks cannot give loans as they see fit since they have to comply with all the regulatory requirements set by CBM, thereby creating obstacles in borrowers getting loans. When the banks are limited in accepting deposits, the amount of loans allocated to borrowers get lower. This has cyclical effects on banks' lending.

Loan Maturities

In this section, banks' conformities to CBM's restrictions on 'loan maturities' were also found from the interviewed data. Semi-government and private banks have mentioned that their loan maturities were short-term only. In other words, they gave loans that

mature in one year's time. Short-term loan maturities were more prevalent with semi-government and private banks than the government-owned banks.

> *We only give short-term loans, however, they can renew every year; then, we revalue them again.*
>
> P-A

> *All of our loans are short-term. After one year, we reduce the collateral value by 10%, that is to reduce the risk, then, we renew the loans.*
>
> S-A

Despite giving only short-term loans, these loans could be renewed every year. Through this process, banks could revalue the collaterals. In other words, banks were able to reduce the risk of the borrowers' default through assessing their loan application once a year in addition to the regular monitoring over the year.

Loan Size Restrictions

Banks were also restricted by CBM in the amount of loans that a borrower could be given. Similarly, in addition to imposing collateral requirements, interest rate restrictions and loan maturities, banks were restricted with the size of loans that they provided to the borrowers. It stated that banks could only give 50% of the value of the collateral provided to the borrowers. A lending limit to a single client is also imposed on the banks by CBM stating that it should not be more than 20% of a bank's capital and reserves. As it was provided in the secondary data analysis section, banks were required to have 20% liquidity ratio. Consequently, they would only be allowed to lend 80% of the deposits. The regulatory requirements directly affect banks' lending practices, but also indirectly affect the money multiplication which is one of the roles of financial system.

> *Guidelines are driven based on the law and central bank's instructions. We have a policy not to lend more than 70% to 80% of the deposits.*

P-C

> *We have night meetings on Mondays and Fridays with the Central Bank. If the deposits are high, we have to give some justifications.*

P-A

There were strict regulatory requirements for private banks. Nevertheless, government-owned banks had more flexibility in setting and giving loans with different maturities. However, one government-owned bank, G-A mentioned they received more severe punishments if any mistakes in giving loans occur:

> *We have to endure a lot of pressures as some mistakes in granting loans can be subject to prison sentence as there used to be a case in the past*

G-A

In summary, banks' lending criteria revolved around CBM's rules and regulations. Furthermore, banks themselves had higher liquidity and capital adequacy ratios than CBM's requirements (see Figure 5-13 to Figure 5-18).

No Bank Marketing

This was another theme which emerged from the data. It is an interesting finding because unlike in any other countries where banks are allowed to do marketing; Myanmar banks were restricted from advertising since 2003 financial crisis. This is to control banks from becoming a commercialised operation and attract a lot of people in getting loans. This

might sound unusual for people in developed countries. However, it was to control risk taking behaviour not only by banks but also by consumers.

> *We are not doing any marketing for the bank because we are not allowed to. But, we know that some of the banks are doing their marketing through giving out pamphlets in the market*
>
> S-C

Semi-government and private banks mentioned that government pressures play a great role their lending practices as no creativity is allowed for them. This caused banks to have very similar or near identical established criteria requirements in their judgements. They have also mentioned that they incurred high regulatory costs for maintaining financial stability. The banks mentioned of the CBM's regulations before 2003 financial crisis where they were very much lenient compared to the current ones. This showed that the regulators are very cautious of the crisis repeating again. At the same time, looking back the 2003 financial crisis, without the pressure to provide financial stability, banks failed to acknowledge on cautious lending.

Changes in Policy Guidelines

As with the conformity to regulatory requirements, banks had no scope for changing their policies as they saw fit. Thus, the frequencies of the occurrences of changes in policy guidelines depended upon the CBM.

> *The guidelines are made according to the ministry and cabinet officers. All the policies are provided to the authorities and then, they are approved.*
>
> G-C

They are driven by Central Bank's direction guidelines and Financial Institutions Law. Then, we make our policies according to our customers.

P-A

If the Central bank changes rules and regulations, we also have to. But sometimes, if the Central Bank doesn't change anything, we look at the risk in the market and we change the criteria. But, there is no scope for a lot of policy changes, but once the government changes policy, we also need to.

P-B

Restrictions in Service Charge

Other compliance to the regulatory requirements was also found when the banks mentioned about their inability to change the service charge.

We were able to take service charge of up to 3% but now, it's only 1%.

S-C

No, they (loan officers) are not allowed to set interest premium. Only board of directors have this privilege. But it's always 17%. It's not profitable at 17%. Service charge is 1%. It is regulated.

P-A

S-D bank mentioned about how other bank, Myawaddy bank had differential treatment by CBM due to its affiliation with the military.

> *No, because they are regulated by the CBM. We have 1% commitment charge and 1% service charge but MWD doesn't take commitment charge.*

S-D

Close Supervision

Banks were closely supervised by CBM to maintain regulatory requirements. Though banks expressed concerns, their conformities were found.

> *We have night meetings on Mondays and Fridays with the Central Bank. If the deposits are high, we have to give some justifications.*

P-A

> *We also have to go for meetings organised by the central bank everyday which is quite unusual compared to any other countries, there, we need to present our daily activities to the authorities.*

P-B

> *We have to give daily reports at 6pm. It is for eight years now since the last financial crisis in 2003.*

S-D

As the regulatory pressures on the banks have increased in interest rate caps, collateral requirements, loan maturities and as such, banks have limited freedom to act on their own. In regard to deposit rate cap, though banks' can give lower than that cap, all of them stick with the maximum as to attract depositors. This might be due to the fact that banks have no alternative source of finance to supplement the requirements. Therefore, homogeneities can be seen among the banks in their lending practices. Similarly, their risk adversities could also be compared with the secondary data analyses where banks had excess reserves, high capital adequacy requirements and liquidity ratios than required by the CBM. It can be implied that although conformity to regulatory pressures were found, banks had different strategic responses to enhance their profitability.

6.3.1.2 Avoidance: Conceal

Among the possible tactics under strategic response 'avoidance', organisations can 'conceal', 'buffer' or 'escape'. In Myanmar, some banks try to conceal their non-conformity to coercive pressures exerted by CBM through disguising them. As non-conformity would not be openly admitted by interviewees, there were not a lot of evidences for such types of strategic response. However, some evidences are presented as follows:

Contingent Factor: Customers' Trustworthiness and Prospects of the Business

Banks would choose to apply the 'avoidance' strategic response when they believed that the borrower was trustworthy and the businesses that they engaged in had good prospects. This was more prevalent in those loan size and interest rate restrictions imposed by CBM as follows:

In the Case of Loan Size Restrictions

It was interesting to find out how the banks managed to lend their desired amount to the borrower through adjusting the collateral values despite of them being risk adverse.

> *If the business is good, and the customer is trustworthy, we increase the collateral values and on that basis, we give 50% of the collateral value as loans.*

P-A

Banks were able to take the risk of adjusting the collateral values, in the case, the land and properties because of the increasing property values. They were able to take advantage of the increasing property values by liquidating those collaterals at higher price at the latter stage. In such a way, banks were able to reduce risk on the balance sheet. Thus, by observing Figure 5-12 and Figure 5-22, despite of increasing non-performing loans, overall banking industry's profit before tax of the banking industry over the period of 2007-2011 had increased.

In the Case of Interest Rate Restrictions

As with the banks' strategies with loan size restrictions, they could also reduce the interest rates that they asked from the borrowers through asking them to make interest payments based on certain fraction of the loans.

> *Since reducing interest rate is impossible, we sometimes charge it only on the certain percentage of loans, of course, if the borrowers are trustworthy and have made regular interest payments before.*

S-D

These types of non-conformity to institutional forces depend on the customers' trustworthiness and prospects of the businesses. From these evidences, one can conclude that banks were able to tackle the tight regulatory environments through concealing their resistance in applying different approaches. Such kinds of strategies would not be found through analysing the banks' balance sheets or income statements.

6.3.1.3 Defiance: Dismiss

Banks that reject or resist institutional pressures for efficiency and better financial performance rather than legitimacy were coded here. Similar to the above, defiance or dismissal of the regulatory requirements were not openly admitted by the banks. However, through asking the same question using different approaches allowed the researcher to uncover banks' defiance or dismissing to such pressures.

Contingent Factor: Customers' Business Prospects

Banks' decisions to dismiss the CBM's requirements were dependent upon the loan applicant's business prospects. Empirical evidence was found in the loan size restrictions and bank marketing.

Loan Size Restrictions

Despite of having restrictions on loan size by CBM, P-B dismisses these pressures by:

> *Normally, we lend 50% of the wholesale value of collaterals to businesses, if the prospect is good enough we increase it to 60%. In the extreme cases, if the prospect is very good, we increase it to 70% to 80%.*
>
> P-B

According to the regulatory requirements, banks are not supposed to lend more than 50% of the collateral's wholesale value. This is similar to the process as above by which P-A bank increased the collateral value to However, it seems that P-B bank did not attempt to conceal its non-conformity but ignore it.

Bank Marketing

According to the CBM regulation, after the 2003 crisis, banks are not allowed to do any marketing activities, i.e. promotion and advertising. However, some of the banks use different methods to get their brand names to the customers through sponsorships. A private bank mentioned that they are not allowed to do marketing but some other banks do. Afterwards, the researcher had an interview with S-C bank. To confirm this fact, researcher asked the interviewee about its marketing activities. In response, he handed out a leaflet advertising its activities and operations that it can provide to the customers. Therefore, banks are able to defy these types of restrictions by dismissing the institutional forces.

Collateral Requirements

> *When the board of directors brought the borrower to the bank, we give them the loans without collaterals because they are trusted by the directors.*
>
> S-E

In addition, these managers or directors are ministers or part of current ruling government. The respondent also added that:

> *You see, for certain businesses, our given loan amounts are much higher than their collaterals given to us and we also have some*

> *borrowers which have taken a lot of loans without collaterals and they are doing many types of businesses in the country.*
>
> S-E

In other words, the dismissals of these requirements is based on the management's power and its affiliation with the government induces the banks to dismiss the regulatory requirements if the borrowers are perceived to be trustworthy and the prospects of the businesses that borrowers engage in are good. Heterogenetic Regulatory Pressures

'Heterogenetic Regulatory Pressures' was a category emerging from the empirical data. In other words, it was not pre-determined categories. One of the reasons for creating this new category was due to the identification different pressures exerted on different banks. Thus, banks had diverse coercive pressures creating different legitimacy requirements. Leniencies in certain regulations on one bank and stringent controls on the others also exist.

Contingent Factor: Ownership Structures and Borrowers' Affiliations

The results of heterogeneities in regulatory pressures were dependent upon the banks' ownership structures. As discussed in the beginning, there were government-owned, semi-government and private banks. These banks had different regulatory requirements which they needed to fulfil.

Collateral Requirements

The ownership structure of banks can have a significant effect on how the institutional pressures are exerted upon. In private banks, collaterals are considered to be the main requirement, however, the government owned bank, G-A sometimes discards this requirement:

> *We do not have governmental guarantee scheme, however, sometimes, we ignore collateral requirements by giving unsecured loans.*

G-A

Even those banks which were government affiliated, sometimes, did not take collaterals and provided loans for start-up businesses.

> *When the board of directors brought the borrower to the bank, we give them the loans without collaterals because they are trusted by the directors.*

S-E

> *We provide loans for them to acquire agricultural machineries and then, they would be used again as collaterals. Only once, they could pay back, they would get the ownership rights.*

G-C

These evidences could be reflected back to Figure 5-5, which shows the existence of different types of loans provided based on securities other than 'land and building'. The above comments by government affiliated banks supported the fact the fact that there were 'unsecured', 'Personal and Organisational Guarantee' and 'Machinery and Merchandise' loans.

Restriction on Deposit Accounts

In addition, government owned banks have restrictions in deposit account openings. This is not surprising as public's trusts in the government banks could be found in Figure 5-23 For instance, though there were only four government banks, their deposit levels in

proportion to the private banks were much higher. Another contributing factor to high deposit levels could be the result of these banks offering saving certificates which private banks were not allowed to offer.

> *If a person wants to open a bank account, saving account or current account holder should recommend the person, otherwise, he cannot open an account at the bank. Moreover, one person cannot have more than one account under his name*
>
> G-A

With the public's trust in the government banks since 2003 financial crisis and a deposit type which could not only be offered by them had also led to increase in deposits at these banks.

Loan Maturities

Similar to collateral requirements, in loan maturities, I have found that government banks had more differing loan maturities compared to those that are private and semi-government owned banks. For example, compared to private and semi-government banks, G-A bank has much more flexibilities in giving term loans as they have no restriction in giving long-term loans and are able to charge lower interest rates and give unsecured loans.

> *We give short-term, medium-term and long-term loans. Short-term loans at 17% with maturity from one to three years, medium-term at 16.5% from three to four years and long-term loans at 16% with maturity over five years.*
>
> G-A

As discussed above, government banks could offer long-term deposits (see figure 6-22); they were able to provide long-term loans since they would not result in loan maturity mismatch. With the government's support, they could absorb more risks than those with private ownership.

Loan Size Restrictions

Similar to the above themes, some of the government affiliated banks can lend loan amounts which are much higher than the CBM allows and no penalty is given to them.

> *You see, for certain businessmen, our given loan amounts are much higher than their collaterals given to us.*
>
> S-E

With S-E, the board of directors of the bank includes government ministers, thereby; they had flexibilities with the CBM's restrictions on the loan sizes. In other words, it also indicates that there was a high level of bureaucracy in the banking industry and the dominance of government banks over the private banks. Thus, ownership structure is the most important determinant for the extent to which how institutional pressures are to be exerted on the banks.

G-A bank also mentioned about the difficulties in valuation of collaterals. The executive mentioned that despite of the values of lands and properties were always appreciating in the country, they were not allowed to increase the value of the collaterals at the time of renewing the loan contracts.

6.3.2 Strategic Responses to Coercive Pressures: Social-political Institutions

In developing countries, socio-political institutions play a very important role in organisations' activities. According to Becker (1983) and Beck et al (2005), if bank

supervisory agencies have the power to discipline non-compliant banks, politicians and supervisors can induce banks to allocate credit to politically connected firms. As this is a very controversial subject, many of the banks do not reveal that they have political institutions' pressures to lend to certain businesses.

6.3.2.1 Acquiescence: Comply

Yet, one of the interviewed banks indicated that they sometimes get requests from the government to lend to politically connected firms without collateral. It is not enforcement but banks always tend to satisfy the government's requests. Some of the banks have also mentioned that they had to take part in the government's national economic development plans. Under these situations, they had to help their financing through providing loans with lower interest rates as they are backed by the government guarantees. Often, these types of lending were done by a group of banks rather than alone. During the financial crisis back in 2003, the banks had to participate in government's bail outs for the failing banks by providing financial support. In the event of natural disasters, for instance, after the Cyclone Nargis in 2008, the worst disaster natural disaster in the recorded history of Myanmar which caused extensive damage to densely populated agricultural activities of the Irrawaddy Division, banks were asked to provide financial support to salt businesses affected by this.

Government-related banks receive pressures from social-political institutions forcing banks to lend to government-affiliated partners, sometimes without them fulfilling the set requirements:

> *We sometimes are given orders from the government to give loans to certain borrowers, in such kind of circumstances; we need to be flexible with our requirements*

P-B

> *During cyclone Nargis, we are asked by the authorities to lend to salt industry without collaterals.*
>
> S-A

6.3.2.2 Compromise: Bargain

Social-political institutions such as government ministries had their own respective developmental guidelines.

> *when there was Nargis Cyclone, the government asked us to lend to salt businesses. After Nargis, we don't lend anymore ... In coordination with sibin tharyaryay bank and co-operative bank, we have also lent to Shwe Than Lwin for converting cars to CNG compatible cars. In such circumstances, governments are the guarantors*
>
> S-A

As stated by the bank, they did not lend to those sectors without collaterals. But they accepted to lend without collaterals and accepted these institutional pressures through bargaining with the government to act as guarantors for them. This shows banks' lack of risk appetite and unwillingness to absorb any forms of risks.

6.3.3 Strategic Responses to Coercive Pressures exerted from Other Sources

In developing countries, like Myanmar, politically affiliated firms and businesses are not uncommon. These firms also use these affiliations to get some advantages from the banks to get loans with some concessions. In such cases, banks bargained with CBM to provide such borrowers without collaterals. In this regard, they informed CBM of these types of lending cases.

> *If politically affiliated borrowers come and get loans from us, we inform the CBM to let them know any concessions that we have to give to these borrowers. So that, CBM will not penalise us when they come and inspect us*
>
> P-B

Bargaining is an active form of compromise than pacifying and balancing. In this case, banks tried to bargain with CBM to avoid any negative consequences that could befall upon them, for example, penalty charges. This shows that firms with no political influence were unable to obtain loans without collaterals even if they had high credibility and profitability, but those with political connections were able to get loans without having to provide collaterals.

While all the restrictions were imposed on all the banks, banks with different ownership structures and borrowers with political affiliations could get leniencies with the requirements to adhere to the strict regulations imposed by CBM. Thereby, the banking industry did not have much role in the country's GDP growth (see Figure 5-6). Thus, efficient credit allocation of bank credit was not achieved and this may discourage economic development.

6.3.4 Strategic Responses to Normative Pressures: Corporate Culture (Indirect Influence of Coercive Pressure)

Figure 6-4: Indirect influence of the political and regulatory institutions on corporate culture

As stated in coercive pressures, banks' conformities to normative pressures were expected. This themes was based on the fact that national culture can be found through studying banks' corporate culture (Giddens, 1991, Schein, 1985, Scott, 2001). Culture is an institution that exerts normative pressures on banks. The evolution process of corporate culture was also identified through analysing the evidences.

6.3.4.1 Acquiescence: Comply

As institutional theory stated, compliance to normative pressures were found.

Decision Approval Process

The decision approval processes of the banks were studied to explore whether the national bureaucratic culture had influenced the overall loan approval processes in banks. Hierarchical or top-down decision making style was found. All the final lending decisions were made by higher level managers and no authority was given to loan officers, thereby, decreasing their importance in the process. It also increased their dependencies on the senior managers over time. It has been found that all the banks had their own centralised committees in which loan decisions were made despite stating that loan officers' opinions are given high importance. Among them, P-C bank gives much higher importance to opinions from loan officers and subordinates. However, the interest rates were charged at 15% to 17% and these rates are not negotiable for private banks.

> *Bank managers' opinions and recommendations are important. It also depends on assessor's report. They can make personal judgments. For example, we consider constructions to be risky, depending on the profitability, we sometimes lend to them. However, the rate is not flexible even if the borrower is*

creditworthy. If the subordinates are not happy with the policy, we can discuss.

P-C

Yes, we do take into account of personal decisions. The bank manager should present his findings about the customer to the Bank Committee. If his evaluations are strong, the committee favour the bank manager's decision.

P-A

They (loan officers' opinions) are in the reports given by the loan officers. The final decision is made by the board of directors. Borrowing amount less than five millions are decided by the Managing Director. Until, two billion loans, they are made by the minister and those which are over this amount, there is another committee and which can be unlimited.

G-B

Though coercive pressures from political and regulatory institutions' effects on national culture cannot be identified at this stage, it does affect banks' corporate culture especially in decision approval processes. However, over the course of the military rules, it can be induced that hierarchical and bureaucratic management style can be embedded in the national culture over time. Consequently, it also integrates in people's values and norms.

Due to the tight regulations in credibility assessments and lending criteria, let alone the individuals, the banks as a whole are limited in their lending activities. The conformity to high uncertainty avoidance corporate culture is found in many of the banks. It can be said that it is influenced by the regulatory guidelines and rules enforcements. For instance:

> *People don't like to take responsibilities anymore, they just want to ask what they should do every time whenever they are given tasks to finish*
>
> S-C

In summary, the effects of bureaucracy could be found not only at bank level but also at individual level. In other words, it has cyclical effects. The lack of authority transferred to the individuals led the lower level staffs with inability to make decisions by themselves, which in turn caused the higher level managers to put trust in them.

Collective Reward System

A collectivist rewards system is found in both non-governmental banks (private and semi-government owned banks). No competition among banks' branches is founds. This might be due to the geographical locations of the branches. The most businesses locate in Yangon and Mandalay, therefore, the banks' performance in these areas is incompatible with others in different areas. Banks in Myanmar do not have individual reward systems as often seen in the UK. They have collective form of rewards depend on the end of the year profit and loss account. Interestingly, though the government-owned banks stated that they did not receive any bonuses for providing loans to businesses, private banks accused them by stating that they took bribes in valuation of the collaterals from the loan applicants.

> *We know that government banks take money from the borrowers as they wanted their collaterals to be valued much higher, but we don't do that in our bank*
>
> P-B

In summary, banks did not have any individual reward based system that would encourage these loan officers to take self-interest risks. However, this could not be easily said as some stated that bribing existed in government banks. This does not mean it does not happen in other banks.

Risk Adversities and Ethical Concerns

As mentioned in the previous sections, banks' compliance to the risk adversities were found in the following statements given by the interviewed banks.

> *We don't lend to alcohol and cigarettes businesses, even if they are profitable because it is not ethical. It does not meet our policy guidelines.*
>
> P-C

> *We always lend lower. We don't take risks.*
>
> P-C

> *The bank does not support shipping businesses and gems businesses because they are risky. If we take ships as collateral, we can lose our investment if the ships sunk.*
>
> *We only lend short-term loans because our deposits are also short-term. If we give long-term loans, there will be a mix-match. All the loans are one-year and renewed every year.*
>
> P-B

Every loan is only one year. If the borrower gives interest promptly, with the MD's approval as well, we renew the loans but reduce the amount by 10%. This is a process of reducing the probability of loan loss.

S-A

We decline to support Cigarettes and Alcohol sectors because it's in our policy.

S-E

When the regulations state that we can only lend 80% of the paid up capital, reserves, retain earnings are not included. If they are included, we can lend more. However, it will still be for working capital only, not for start-ups.

S-C

6.3.4.2 Defiance: Dismiss

If the banks were to face with having to compromise profitability or efficiency in order to gain legitimacy, they would defy some forms of normative pressures, for example, defying high uncertainty avoidance culture or ethical concerns.

Mining and Constructions are very risk businesses. According the ethics of the bank, it does not lend to those businesses that involved in poultry farming. We also decline to support film

industry. Though we consider constructions to be risky, depending on the profitability, we sometimes lend to them. However, the rate is not flexible even if the borrower is creditworthy.

P-C

We don't normally lend to businesses which engage in alcohol or tobacco related businesses, however, if they are profitable, we do lend to them because if we don't, they will go to other government-owned banks or any other banks. There, they'll lend them. Then, we'll lose the customers.

P-D

If the businesses are legitimate and not affect the government in any way, we lend them.

S-B

6.3.5 Strategic Responses to Normative Pressures: Developmental Governmental Guidelines

This theme was developed under the assumption that banks get governmental pressures to lend to certain business sectors for developmental purpose. These developed policies are aimed not only to help borrowers minimise financing costs but also to achieve sustainable economic growth. In Myanmar, banks were required to lend to those businesses engaged in manufacturing machineries, especially agricultural related ones, at 2% lower interest rate than normal business loans. It was to encourage the sectorial development. However, due to its very limited number of businesses, despite of having these guidelines, they did

not have large share of these types of loans. Some of the banks even mentioned that they did not have these kinds of loans because the lack of customers from this sector. Only one semi-government bank stated that they have started making policies for providing SME loans without collaterals, yet not implemented.

6.3.5.1 Acquiescence: Comply

According to the CBM, banks categorise their loans into four different categories namely, Import/Export, Trading, Production and Service. They mentioned that the government favoured and gave guidelines to increase production loans. However, when asked about their priorities in giving loans to these sectors, they have mentioned quite contrasting opinions with the regulatory guidelines and different banks have different priorities.

> *We lend at lower interest rates for industrials and agricultural businesses and lend at 15% and give priority to export sector. We also support industries such as soft drinks and distilled water if they can be exported*

P-B

> *Production is the most important sector. If these fall into industrial category, the rate is 15%. However, we have more trading loans.*

P-C

Unintentional Avoidance

This is a theme emerged from the empirics. It is defined as an unintentional strategic response which does concern neither legitimacy nor efficiency. It is a strategic response in which banks have no control.

Contingent Factor: Lack of Borrower

Banks have the guidelines to lend at the lower rate of 15% for those that fall under certain industry category. Nevertheless, banks do not have these types of borrowers come to them to apply for loans. For instance:

> *Production is the most important sector. If these fall into industrial category, the rate is 15%. However, we have more trading loans.*
>
> P-C

> *Yes, we do have industrial loans but you see, we don't have a lot of customers coming for industrial loans, therefore, we have more trading loans.*
>
> S-D

> *Yes, we do give industrial loans at 15% but these customers don't come to our banks*
>
> P-A

As P-A is a shareholder-owned bank; I was able to get data on its share of loans of different sectors. 58.7% of total loans dedicated only to trading and only 25.51% to production sector. Overall, it seems that priority loans are provided at 15% by the banks

though the maximum lending rate is 17%. Other semi-government banks also mentioned that they don't have a lot of industrials loans.

> *We have industrial loans but most of them are lent to service sectors*
>
> S-B

These indicate that those engaged in sectors that were encouraged by the government usually borrow more from the government affiliated banks than private banks.

It can be implied that they received the same guidelines; therefore, homogeneities can be seen. Nonetheless, semi-government bank had more guidelines to conform. It also implies that normative pressures induced from developmental guidelines were much higher on government related banks than on private banks. In addition, it shows that banks do conform to institutional requirements. However, those which engage in government supported industrial sectors have strong political affiliations. Therefore, they tend to go to government banks.

6.3.6 Strategic Responses to Normative Pressures: External Verifiers

External verifiers (for instance, credit rating agencies or appraisers) can help shape banks' lending practices by affecting banks in choosing prospective borrowers. From analysing the interview notes, it was found that internal stakeholders employed by the banks either through salary or depending upon the cases were the people who confirmed and checked borrowers' credibilities. In other words, they are part of the banks' task environment.

Though external verifiers such as credit rating agencies can influence banks' lending in developed countries through providing borrowers' credit histories, external verifiers or

value appraisers are hired case by case basis to calculate market values of collaterals. In some instances, banks change these values by increasing the market price to take advantage of the rising housing prices in the country to increase the loan size by conceal their non-conformity of 50% limit. Thus, through compromising with the value appraisers for the collateral values, banks conceal their resistance to coercive forces if the borrowers are trustworthy and prospects of the businesses are good.

6.3.7 Summary

In summary, this section has provided that banks did not necessarily conform to institutional pressures to achieve legitimacy if they had to compromise profitability. The main contingent factor for the banks to resist coercive pressures was the borrowers' business prospects. An interesting finding in this section is that the banks' resistance to normative pressures associated with the ethical concern was their fears of losing borrowers or customers to the government-owned banks. This implies that the government-owned banks have a significant advantage than the private banks. Their responses to institutional pressures were mainly to conform. However, there were a range of other forms of resistance. However, strong forms of resistance, such as dismissing the institutional pressures, were very limited. In other words, Myanmar banks' always attempted to externalise risks to borrowers, yet, banks did not openly admit their resistance to institutional pressures.

6.4 Pressures to Gain Legitimacy

This section will provide the bank managers' opinions on institutional pressures. This will enable the reader to understand how different the goals of both institutional and task environments in Myanmar's banking industry and how important it is to achieve legitimacy from such institutions.

6.4.1 Coercive Pressures

Banks were bounded by coercive pressures and their inability to avoid those pressures when making lending decisions were expressed when the researcher asked them about their opinions on institutional pressures and what types of improvements should be made for them to increase their efficiency to lend more. The main themes presented by the banks were as follows:

Interest Rate Restrictions

Banks expressed their concerns over interest rate restrictions in various ways. The government banks, G-B and G-C did not express strong concern over such restrictions, however, the latter raised more concern over having bigger margin between deposit and lending (interest rate spreads), which is currently pegged at five percent.

> *The rates seem to look very high, however, since the deposit rate is 12% and lending rate is 17%, it seems quite ok to me.*
>
> G-B

> *It's low as we want to have bigger margins between deposit and interest rates*
>
> G-C

Other private banks and semi-government banks raised this as a strong issue by comparing themselves with different countries.

> *We are very much regulated by the central bank and we have to follow their rules and regulations. The interest rate set by the central bank is too high which is 17 percent. Probably, it is the highest in the world. Our country is one of the highest bean*

exporters before but recently, its position has been taken over by Canada. This is because our cost of production is high because of the interest rate. Most of our domestic products are more expensive than imported goods (for example, from Thailand) because of cost of financing. We are also not allowed to give higher deposit interest rate than the government.

P-B

It's not the interest rate problem. The issue is the margin. Because of the high interest rates, credit creation is hampered.

P-D

Strictly regulated. They gave us the benchmark rate. We can charge maximum 17% and service charge 1%. So, total 18%. It is the highest in the world. In Brazil, it's just 12% and in Pakistan, I guess, it's only 10%.

S-B

Laws and Regulations

In addition to interest rate restrictions, some of the banks also raised issues in relation to the laws and regulations of the country and how it affected their efficiencies in providing loans to customers.

Business license, Industrial licence, City license, and make sure that collaterals are under the borrowers' names, if the photos of the collateral properties are not good, we do not lend them. The

location of the collateral is also important. We have a lot of laws, you see.

S-B

Our laws are established since the colonial times, for example, Partnership Acts are based on Indian Law, which in turn is based on the British law. Some of the factors written there are no longer applicable at all and they have become meaningless.

S-D

There is some unfavourable legislation. If the customer doesn't pay interest for six months, we consider them as non-performing loans For instance, if the borrowers cannot pay back the loans for two years, we make lawsuits and put that amount under non-performing loans. We go to the court. There, it reduces the interest rates to 9% which currently is 18% (including service charge).

S-D

Loan Size Restriction

This theme 'loan size restriction' is an important theme which could indicate that these banks have customers who could borrow more than 20% of the paid-up capital, reserves and retained earnings to individual borrowers and higher demand for loans. This was presented by the semi-government banks, S-B and S-C as follows:

If the 20% limitation for an individual is not there, we can lend more

S-B

When the regulations state that we can only lend 80% of the paid up capital, reserves, retain earnings are not included. If they are included, we can lend more. However, it will still be for working capital only, not for start-ups.

S-C

Restriction in Acceptable Collaterals

Banks were restricted in accepting only 'immovable properties' as collaterals and even 'commodities' were not qualified as collaterals to provide loans.

If they change collateral regulations (i.e. allowing us to take commodities) and change the interest rates on deposits.

S-D

If there are no collateral requirements, and if we can give loans based on collective responsibilities, then we will be able to lend more. Now, we only accept immovable properties under the names of the borrower. If we can accept the collaterals under the name of different persons, we will be able to lend more.

S-E

The regulators are quite slow in changing back to the old standards.

P-D

Lack of CBM's Transparency

CBM's transparency was also raised as a problem in the beginning, i.e. during the secondary data analysis section. The lack of transparency in the central bank's data had also affected the banks and the ways in which they could put trust on CBM.

> *We have no transparency, therefore, there is no accountability.*
>
> S-D

> *The Central Bank stated that the interest should not be more than 17% but can be less than that. The deposit cannot be more than 12%. It's always 17%. Inflation is 25% but loan rate is less than 20%.*
>
> P-A

In summary, banks' concerns and their negative opinions to the coercive pressures prove that banks' lending practices were based on achieving legitimacy rather than their efficiency as institutional theory stated.

6.4.2 Normative Pressures

Banks also expressed their inclination towards accepting the higher level management opinions more than the loan officers in making lending decisions.

> *During the renewal of loans, even if the collateral values are appreciating, we might not revalue the collaterals. It depends on the management.*
>
> G-A

> *Yes, we do take into account of personal decisions. The bank manager should present his findings about the customer to the*

> *Bank Committee. If his evaluations are strong, the committee favour the bank manager's decision.*
>
> P-A

The Significant Role of the Government

The role of the government in banks' loan allocations as well as the borrower's repayment patterns was found in the interviews with the banks. For instance, the researcher asked S-C about their involvement in microfinance and they replied that they could not make loss because their source of funding was the government.

> *If the system is good, we will participate. We have to look at shareholders. We can't lose and affect our profit. Since the funding is also from the government, we can't lose.*
>
> S-C

Similar to the above statement, the bank which was involved in microfinance stated that they could collect all the debts from the small borrowers because the bank was operated by the bank.

> *Trust is not the problem here as people always give back loans because it's the government and they think of it as a duty. It becomes a habit. Due to Nargis and Giri (severe storms which have hit the country severely), the government has changed some policies. Even then, they only deferred for some period. At the end of the day, they are all 100% collectible. This is also because if they don't give back, these*

> *debts would be passed on to the next generations and the group would not allow them to run off.*
>
> G-C

G-C also mentioned that they were not involved in lending to livestock and fisheries because they were operated by the military. This is an interesting quote because G-C was a government bank, however, they did not involve in lending to those borrowers that were operating under military.

> *We don't lend to livestock and fisheries. These types of businesses are conducted by the military.*
>
> G-C

All in all, the pressures to gain legitimacy are quite common across Myanmar banks. Though some of these pressures were affecting the banks' performances by limiting them to reach more borrowers, they were restricted. In addition, these findings suggested that the government played a big role in banks' lending behaviour.

6.5 Conclusions

In summary, this chapter provided the findings from the interviews with banks. As with the descriptive statistics provided in the chapter 5, banks were risk-averse and had no appetite to absorb any forms of risks in the lending process. Though banks were confined by strict regulations, they had developed their own mechanisms of compromising them to maximise their profitability. The next chapter will provide the critical reflections of the findings of this research.

Chapter Seven: Discussions

7.1 Introduction

The purpose of this chapter is to provide discussions on the implications for future development in the financial sector of Myanmar drawing upon the results and findings from the thesis. This study was undertaken to investigate the interplays between banks and institutions in lending to businesses. The investigation reveals that though banks operate under tight regulatory environment, non-conformity is also found. However, non-conformity is not openly admitted by banks but respond to these pressures by active/positive strategic responses. In other words, they put a façade on non-conformity or avoid completely without confronting the institutions.

After having presented the methodologies used, results and findings in the preceding chapters, the effects of the institutional pressures which are meant to maintain financial stability have negative effects both the banks and other stakeholders. These will be explained in the following sections. In addition to providing theoretical contributions towards both institutional theory and Oliver's strategic responses, this study's practical implications for the banking sector reform as a part of political and economic reforms that the country has undergone since the election of 2010 will also be discussed. As the study has identified areas where developments and improvements are needed, discussions on the process by which they could be enhanced will be given.

When presenting the data, NVIVO was used to generate tables and figures to provide the complex qualitative data in such a way that reader would be able to comprehend.

Therefore, some numbers were also attached to them. It should be noted that they are not provided to give statistical significances but to help the reader as well as the researcher in exploring similarities and dissimilarities in relation to the developed theoretical framework. The interviewed sample included three government banks, four private banks and five semi-government banks. Those numbers represent the sources or interviews identified by NVIVO in which the themes were coded. The helped the researcher in developing propositions that required further studies. In addition, it allows the researcher to establish the significance of the research project, to document the problem and describe samples. This is also in accordance with the critical realist perspective that has been taken to conduct the research.

7.2 Discussions of Oliver's Propositions in Relation to the Findings

This section will relate the findings to the hypotheses developed by Oliver (1991). These hypotheses provide some predictors of strategic responses such as the conditions under which banks conform or resist to institutional pressures. She states that Organizational responses to institutional pressures toward conformity will depend on why these pressures are being exerted, who is exerting them, what these pressures are, how or by what means they are exerted, and where they occur.

Under this assumption, she outlines five institutional antecedents, namely, cause, constituents, content, control, and context. These are intended to be used as predictors for the extent to which organisations would be resistant to institutional pressures. The summary of the definitions for them are provided in the following Table 7-1.

Table 7-1: Summary of the Definitions of Determinants of Institutional Pressures

Determinants of Institutional Pressures	Definition
1. **Causes**	The underlying rationale or expectations associated with institutional pressures.
2. **Constituents**	The multiplicity of actors involved in creating pressures on organisations, providing conflicting pressures.
3. **Content**	The compatibility of external pressures or expectations with organisational goals
4. **Control**	The means by which pressures are imposed on organisations, legal coercion or voluntary diffusion.
5. **Context**	The extent to an organisation's environment uncertainty and interconnectedness.

Table 7-2: Summary of the Determinants of Institutional Pressures (Environmental Analysis using Oliver's Hypotheses)

Institutional Pressures		**Determinants of Institutional Pressures**					
	Sources	**Causes**	**Constituents**	**Content**	**Control**	***Degree of Control***	**Context**
Coercive Pressures	Central Bank and Regulatory Authorities	Maintaining Financial Stability	Low Multiplicity	Low Compatibility	Legal Coercion	*High*	High Interconnectedness
	Social-Political Institutions	Developmental Objectives	Low to Medium Multiplicity	No Compatibility	Legal Coercion	*High*	High Interconnectedness
Normative Pressures	Corporate Culture	Cultural Norms	Low to Medium Multiplicity	N/A	Voluntary Diffusion	*Low*	High Interconnectedness
	Professional Associations	Professionalism	Low to Medium Multiplicity	N/A	Voluntary Diffusion	*Medium*	High Interconnectedness
	Guidelines - Government	Developmental Objectives	Low Multiplicity	No Compatibility	Voluntary Diffusion	*Medium*	High Interconnectedness
Mimetic Pressures							

7.2.1 Cause

In institutional theory, the bases that underlie the external factors imposing institutional pressures are unspecified. Thus, recognising the existence of 'cause' is intended to fill this gap of the primary theory. Oliver (1991) states that there are two reasons for institutions to exert pressures. They are social fitness, which intends to make organisations more socially fit or acceptable, and economic fitness, which intends to have economic accountability and rationalisation.

Oliver (1991) hypothesises that:

H1: The lower the degree of social legitimacy perceived to be attainable from conformity to institutional pressures, the greater the likelihood of organisational resistance to institutional pressures

H2: The lower the degree of economic gain perceived to be attainable from conformity to institutional pressures, the greater the likelihood of organisational resistance to institutional pressures

As discussed in the previous sections, the causes of coercive pressures imposed on banks through the CBM whose existence is dependent upon the government are to obtain financial stability and to prevent the repeat of financial crisis as in 2003. In other words, it is the result of the authorities' lack of trust over the financial institutions. In addition, non-conformity to these pressures will cause banks to be penalised. For example, not meeting the capital adequacy requirements and exceeding loan to deposit ratios are some of the conditions under which banks can lose legitimacy. Through meeting these limits, banks not only achieve legitimacy but also economic legitimacy by being able to reduce risks.

Similar phenomenon is also found in regard to normative pressure. The degree of social legitimacy achievable from conforming to ethical rules of not lending to alcohol or tobacco businesses is low, and the degree of economic gain is low which results from losing customers to competitors, therefore, banks dismiss such pressures. In summary, these two hypotheses are acceptable under Myanmar context.

7.2.2 Constituents

The underlying idea here is that it is impossible to meet all the demands imposed by different institutions as they have conflicting expectations. It is argued that organisations have to confront incompatible and competing demands that make unilateral conformity to the environment becomes difficult. In other words, satisfaction of one constituent will require the organisations to ignore or defy demands of another.

Hence, Oliver (1991) hypothesises that:

H3: The greater the degree of constituent multiplicity, the greater the likelihood of organisational resistance to institutional pressures.

This means that when organisations are faced with incompatible and competing demands from different constituents, conformity is unlikely because the satisfaction of one constituent often requires the organisation to ignore, defy or compromise the demands of another. One of the weaknesses of this hypothesis is that the constituents are not differentiated into those that are from institutional and task environment. Banks are operating in an environment with many stakeholders exerting conflicting pressures, generalising all these into one category, 'multiple constituents' is inappropriate because we will not be able to identify whether they belong to institutional or task environments. Therefore, they will be differentiated into 'institutional-level' and 'task-level' constituents which can exert different demands. If the hypothesis is to be explained through assuming constituents as those from institutional environment, the only

constituent inflicting coercive pressures through different sources on Myanmar banks is the government. Therefore, there is a lower degree of constituent multiplicity in institutional environment but there are also important constituents, which can have significant contribution to banks' goals of increasing profitability. From Oliver's hypothesis, it can be induced that the likelihood of organisation's resistance to institutional pressure is lower.

H4: The lower the degree of external dependence on pressuring constituents, the greater the likelihood of organisational resistance to institutional pressures.

Only two sources of coercive pressures are identified in this research, thus, the multiplicity of conflicting pressure is low. However, political institutions are powerful constituents which create banks to conform to the pressures imposed by them and compromised other institutional pressures such as CBM. Similar to H3, there are some weaknesses in the Oliver's hypothesis, H4 in regard to coercive pressures. As it can be seen from the above discussions, the sources of these forces, coercive and normative on banks originate from the government. The dependence on this pressuring constituent is high. This weakness can be explained by the degree of enforcement which is explained in chapter 6. Though having only single constituent, different levels of factors to be complied with and banks' ownership structures or the management power can affect the degree of enforcement on banks. It is not necessarily true to conclude that the greater the degree of constituent multiplicity or the external dependence on pressuring constituents, banks would be more inclined to resist institutional pressures.

7.2.3 Content

It is expected that organisations will acquiesce more readily to pressures that do not constrain substantive organisational decisions, such as resource allocation that might affect their profitability or imposed them to more risk.

Oliver (1991) hypothesises that:

H5: The lower the degree of consistency of institutional norms or requirements with organisational goals, the greater the likelihood of organisational resistance to institutional pressures

H6: The greater the degree of discretionary constraints imposed on the organisation by institutional pressures, the greater the likelihood of organisational resistance to institutional pressures.

For example, banks conform to the collateral requirements imposed by the banks due to their lack of risk appetite and unwillingness to share risks. This conformity occurs because there is some consistency between institutional norms or requirements with the organisational goals of lowering risks. None of the banks mention that changes to these restrictions were needed but to add more acceptable types of collaterals. Banks also conceal (avoid) the non-conformity to CBM's restrictions on loan sizes because conforming to this would decrease banks' profitability. If they give a lesser loan amount, the interest payments will also be lower. As this restriction is not compatible with bank's objective, they are more resistance to this type of pressure. Though the cause of imposing these pressures is to maintain financial stability, banks collectively try to change institutional requirements through shaping values and criteria since doing so as a single bank is not powerful enough.

Banks seek a government guarantee for granting loans requested by social political institutions without collaterals as not doing so will expose them to higher risks. In such cases, banks resist institutional pressures through balancing with the other institutional constituent, CBM.

7.2.4 Control

Control describes the means by which pressures are exerted on organisations. There are two processes by which pressures are imposed. They are legal coercion and voluntary diffusion. The former type of control is imposed by legal or government mandates with the means of authority. Organisations' acquiescence is most likely because it serves the organisation's interest and the consequences of non-conformity are severe. Voluntary diffusion refers to the extent to which an institutional expectation or practice has already diffused or spread voluntarily through and organisational field.

Oliver (1991) hypothesises that:

H7: The lower the degree of legal coercion behind institutional norms and requirements, the greater the likelihood of organisational resistance to institutional pressures

H8: The lower the degree of voluntary diffusion of institutional norms, values or practices, the greater the likelihood of organisational resistance to institutional pressures

This is a valid hypothesis as the control can affect banks' degree of conformity. Norms and values are diffused through trainings given by Bankers' Associations. Normative pressures are more likely to be resisted by banks because they are not legally coerced.

7.2.5 Context

This section answers the question of 'what is the environment context within which institutional pressures are being exerted?' and the predictive dimensions are 'environmental uncertainty' or 'environmental interconnectedness'. Environmental uncertainty is defined as 'the degree to which future states of the world cannot be anticipated and accurately predicted' and interconnectedness refers to 'the density of interorganisational relation amount occupants of an organisational field'.

Oliver (1991) hypothesises that:

H9: The lower the level of uncertainty in the organisation's environment, the greater the likelihood of organisational resistance to institutional pressures

H10: The lower the degree of interconnectedness in the institutional environment, the greater the likelihood of organisational resistance to institutional pressures

Due to Myanmar's isolated economy, lack of capital market and foreign banks' operations, Myanmar has not been affected much by the 2008 global financial crisis. The environment's uncertainty is low, therefore, banks can anticipate the collateral values to be rising and the resistance to loan size restrictions is found. There is a high interconnectedness between banks in Myanmar's banking context. For instance, their activities in professional association prove their collected working system. Trainings in the Myanmar Bankers' Associations are provided by the senior managements of the domestic banks. Therefore, norms, beliefs and values can be diffused among the employees of the banks. This creates more implicit coordination and collectivisation in the environment, more consensuses on diffused norms, and greater ubiquity. Moreover, under uncertainty and risky situations, in lending, if banks were unsure of whether the presented collaterals have been used in other banks or have doubts about the genuinity of the contracts, they would contact other banks or local authority for validations. Thus, high interconnectedness among banks and institutions exists in Myanmar's banking industry.

7.3 Cyclical Effects of Institutional Pressures

First of all, the identification of the cyclical effects on different stakeholders and processes due to those institutional pressures exerted on banks as explained in the banks will be explained in this section. The consequences of these pressures have negative effects on the overall lending process, thereby affecting the efficiency of banks' role of

financial intermediation. As discussed before, the empirical study showed that there were homogeneities in banks' lending practices. In addition, institutional pressures affect the task environment. For instance, the collateral requirements impose on banks affect the lending behaviour by requiring customers to provide good quality collaterals as securities to mitigate risks. This can be seen very clearly in the graphical presentation presented. As the institutional pressures can be classified into three types, coercive, normative and mimetic, cyclical effects are presented under their respective headings.

7.3.1 Coercive Pressures

The role of financial intermediaries is to reduce transaction costs and information, thereby, creating efficiency in financial resource mobilisation and allocation. Subsequently, they will enhance economic growth and long-term stability. However, the data from the study give a different picture about the existence of Myanmar's banking system. It is the result of the coercive pressures exerted from the CBM. As institutional theory predicted, there were similarities across the interviewed banks. Unlike in the UK, the CBM is not an independent entity but is operating under the government to implement governmental policies. The banks in these countries were controlled extensively and constrained within rules and regulations set by the government. From the

Figure 7-1 generated from NVIVO and from Table 5-1 to Table 5-3, banks' lending were restricted in terms of loan maturities, interest rates (both deposit and lending), loan size based on collateral values, collateral requirements along with the criteria considered as acceptable collaterals and their marketing activities. Though these restrictions are meant to maintain financial stability, they have more negative than positive effects on different stakeholders.

Basically, banks are able to transfer risks onto borrowers through high risk premiums or high interest rates, the types of collateral requirements, loan sizes and maturities of loans.

However, these are set by CBM rather than the banks themselves. 'Interest rate restrictions', for instance, have many consequences attached to them. In general, lending interest rates are calculated at risk-free rate plus risk premium. The latter is calculated based on the loan applicant's likelihood of default based on usual 5Cs criteria. Interest rate spread between deposit and lending over the period of 2000 and 2011 has been maintained at 5.5%. Due to the economic conditions of the country where inflation is double digit, whereas, banks are only allowed to take maximum of 17% of interest rate. Hence, as in table (7-1), real lending rates for most of the years were negative. In addition to the high interest rates, banks have a service charge of 1% which was also pegged by the CBM, thereby, the final interest rate was 18%. Banks were given guidelines by it to lend at lower interest rates to sectors when they wanted to direct the financial resources for developments. Hence, there were political motives behind these restrictions. These can have effects on collateral requirements and the loan size.

Table 7-3: Deposits and Lending Interest Rates from the Period of 2000 to 2011 (Source: World Bank Database)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Deposit interest rate (%)	9.75	9.5	9.5	9.5	9.5	9.5	11.38	12	12	12	12	10
Lending interest rate (%)	15.25	15	15	15	15	15	16.08	17	17	17	17	15
Interest rate spread	5.5	5.5	5.5	5.5	5.5	5.5	4.71	5	5	5	5	5
Real Lending interest rate (%)	12.48	-7.89	-18.73	-4.56	11.08	-3.56	-4.28	-5.37	2.98	11.55	8.13	N/A

In addition to imposing restrictions on interest rates, the CBM prevented banks from accepting collaterals other than land and properties. With the limitation on giving borrowers no more than 50% of the collateral values, banks require borrowers to give more collateral to offset the credit risk as well as the low interest rate in relation to high inflation. Banks were also given with loan loss policies and sectorial differentiations that

they should abide. They would face penalty charges if they were found not following these restrictions including capital adequacy and reserve requirements. Other restrictions such as lending and deposit limits also resulted in cyclical effects. It caused banks to be very cautious in taking deposits as well as giving loans. They were monitored daily, weekly, monthly and yearly. Hence, banks were supervised closely. Some banks mentioned that they had to lend to the sectors according to the developmental guidelines and engage in connected lending without collaterals.

As it can be seen in Figure 7-2, though these types of prudential regulations are desirable, too many regulations exerted on the banks could be an obstacle for a country's economic development because they do not only affect banks' lending processes and efficiencies but also the borrowers' accessibilities to finance. In many countries, overdrafts are given to customers without collaterals, but in Myanmar, they are backed by collaterals. In addition, due to the lack of legal protections and laws for condos and apartment buildings, borrowers without land and buildings in possessions would not be able to obtain loans from the banks. Banks would only provide loans for working capitals.. In other words, start-up businesses or SMEs, which are an integral part of economic development, cannot obtain loans without collaterals.

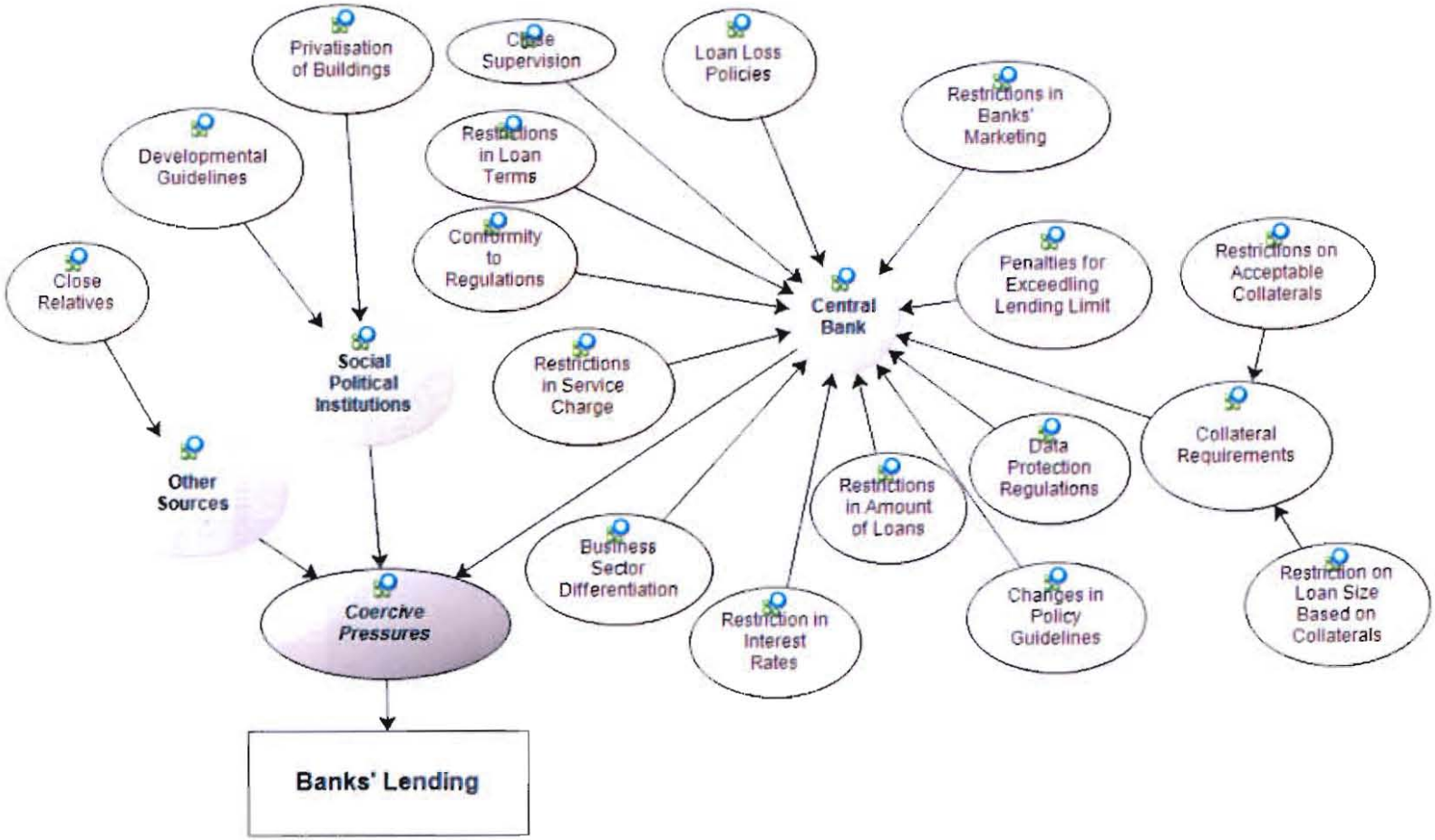

Figure 7-1: Process of Regulatory Influences on Banks' Lending Process

The externalisation of risks was promoted by the CBM and the banks had their own criteria for doing so. Though the CBM restricted banks from giving more than 50% of the collateral values, some banks even gave lower than that by only providing the borrowers with 30% of the collateral values. This type risk externalisation needs to be discussed further as the banks were only accepting land and properties as collaterals. One can argue that lowering the loan size was dependent on the low interest rate in relation to inflation in the country. In Myanmar, due to speculations, the changes in prices in the property market over the years have been extraordinary as properties are seen as investment tools due to the lack of a developed capital market. By giving less than 50% of the collateral values would not put the banks at risks if the borrowers were to default because the liquidation of these collaterals would yield higher returns for the banks. In other words, the banks were involved in speculating on the property prices in addition to risk externalisations. Hence, despite non-performing loans at the banks had been increasing over the years (see Figure 5-22), profit before tax of the banking industry from the period of 2007-2011 also provides a positive trend. The CBM not allowing the banks to engage in marketing activities also indicates that credit culture is not promoted.

Table 7-4: Presence of Coding in Regard to Importance of Qualitative and Quantitative Factors in Lending Decisions

	Government Banks	Private Banks	Semi-Government Banks
Importance of Quantitative Factors	2	4	5
Importance of Qualitative Factors	1	4	4
Other Quantitative Factors	0	3	3

Due to the importance given more on the quantitative, rather than qualitative factors such as the loan applicants' character, trustworthiness, business prospects and their relationships with the banks had become less important in the lending decisions. This can be seen when the banks do not give preference to existing account holders and not

sticking to locality. These themes allow the researcher to distinguish the type of lending behaviour that the banks favour. For instance, giving preference to existing account holders indicates that banks has established the relationship with the borrower and his/her trustworthiness and character can be judged from such relationship. Similarly, banks' lending at the local branches indicates that the local managers are more familiar with the soft factors of the borrowers. Since none of them are found in the interview data, except the agricultural bank which focuses more on providing microfinance to farmers, Myanmar banks' lending behaviour can be categorised as transactional or gone concern lending opposed to relationship or going concern lending.

Coercive pressures exerted on banks from sources other than the CBM include social political institutions. These are associated with the government's developmental guidelines, directing financial resources to those sectors in which development or assistance requires. This could be seen as having both positive and negative effects. For instance, with the governmental guarantees, banks were required to lend to the salt industry which was affected by the Nargis cyclone. Another instance includes the government's policy to convert buses to CNG run engines to become more environmental. Without governmental assistance, these sectors would not get financial supports for development and recover from natural disasters due to the banks' risk adversities. The negative effects are the inefficient allocation of resources and high dependencies on the governments for risk mitigation. Other type of lending includes 'connected lending' where the banks were forced to lend to those which had connections with the ruling parties. This also creates inefficient allocation of financial resources.

The measures of deposits are important in Myanmar due to its cash-based economy and the loans are based on the amount of deposits that banks received. Unlike in other developed countries where banks have other sources of cash inflows, banks' lending are dependent upon the deposits they have. In addition, the financial stability focuses on the

protection of the depositors by imposing reserves and liquidity requirements based on the deposits while the CBM limiting banks taking deposits more than ten times of each bank's paid-up capital. Since the banks were restricted in lending to customers, they encountered difficulties in accepting deposits from the depositors as they would face penalties for not meeting the regulatory requirements. With the interest rates on deposits being capped at 12% and lending at 17%, the whole system of lending criteria and behaviour was affected.

All in all, banks' lendings in the country were controlled extensively and constrained with rules and regulations set by the CBM. Hence, as described in preceding chapter (see Figure 5-7 and Figure 5-11), there were inefficiencies in loan allocations and the lack of banking sector's contribution to the country's economic growth. In banking, uncertainties and risks are unavoidable factors where banks try to mitigate to the minimum as much as possible, but in Myanmar, the complete risk transferring to the borrowers by devaluing collaterals, providing short-term loans, fixed interest rates, etc. In other words, there is no flexibility in all the banks. Due to these guidelines and standards, banks have no relationship lending. In addition, it has been over twenty years since the country has introduced a market-oriented economic system to abolish planned economic system, however, state control is still in place. The country has been taking time to implement capital market where companies and banks can have access to capital through other financial intermediations. Thus, these banks have no other ways to transfer risks, other than to the customers. Through using institutional theory, the sources creating homogeneities across banks through coercive pressures were found. Moreover, some big banks have political pressures in lending to certain customers. In the case of Myanmar, they did not only hinder efficiencies but also created a top-down management approach across the sector. This will be explained in detailed in the next section.

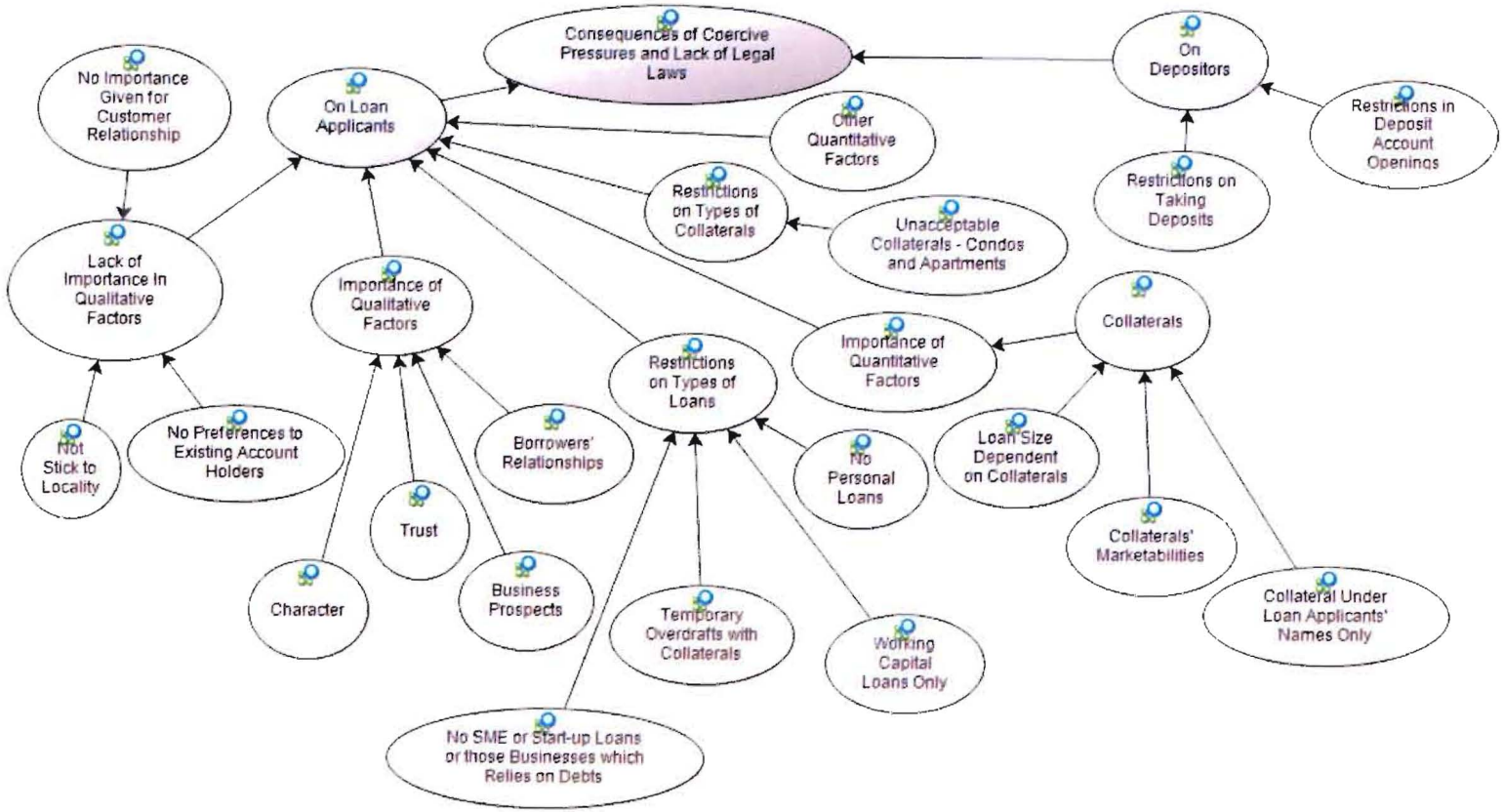

Figure 7-2: Consequences of Coercive Pressures and Lack of Legal Laws

7.3.2 Normative Pressures

In this thesis, the sources of normative pressures were identified based on the literature. They were 'External Verifiers', 'Myanmar Bankers' Association' (Professional Association), 'Industrial Association', 'Guidelines' and the most importantly 'Corporate Culture'. Since the researcher was unable to identify norms and values specifically from the banks, the possible sources where these sources and norms might be created were explored first.

First of all, the most important source of normative pressure was 'culture'. As culture could not be explored directly from the banks' interviews themselves, the researcher opted to identify the banks' corporate cultures instead. Decision approval processes and the reward systems were primarily studied. The banks' lending decisions were found to be made by the management. Hence, the role of loan officers was minimal. As it was discussed in the previous section, banks had standardised criteria set by the CBM. In addition, the decisions to grant loans were made at the banks' headquarters, top management levels including Board of Directors and ministers in government affiliated banks. Loan officers, independent investigators and lawyers did not have much role in influencing those decisions but to perform their regular administrative duties such as writing reports and investigation of the collaterals and loan applicant's business activities. However, the role of collateral value appraiser had increased with the others' roles diminished since they could influence the loan size and borrowers' trustworthiness in the situation of rising house market prices. They could be employed directly by the banks or externally. Similarly, appraisals could be done by the loan officers themselves. Hence, though the role of loan officers' role in making lending decisions diminished but their role as an assessor could affect the banks' loan sizes given to the borrowers, thereby, influencing the lending assessments.

Risk adversities and ethical concerns were also found in some of the private and semi-government banks. They seemed to be influenced by their culture of risk adversities and Buddhism. They could be formally or informally set in the banks' internal policies. One of the banks refused to lend to poultry farming, liquor and tobacco related businesses based on their formally defined internal policies. The other banks were also cautious of such businesses which had relatively higher risks compared to other sectors. These could include construction businesses as well. However, these banks would consider lending to them based on their perceived future profitability. Hence, similar risk adversities and ethical concerns across the banks were found from the interview data. Nonetheless, such criteria were not found in the government banks. Similarly, collective reward systems and the targets to be achieved in a financial year were found in private and semi-government banks. Those that could influence the banks' lending decisions were the industrial associations that the borrowers were attached to since they could provide their reputations in their respective industries. The governmental guidelines to favour industry and agriculture sectors affect their lending decisions as well.

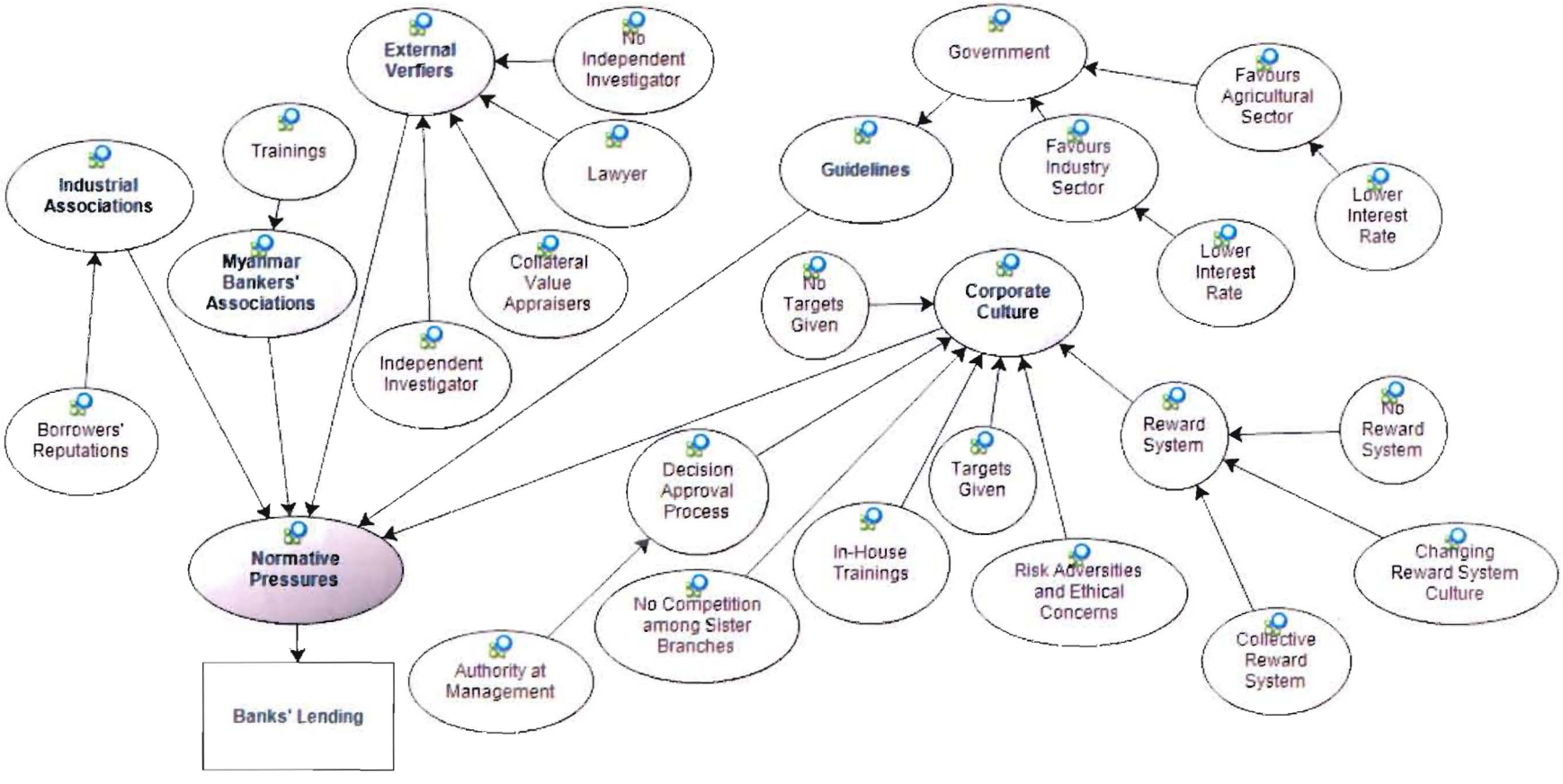

Figure 7-3: Process of Normative Influences on Banks' Lending

Other sources of normative pressures could be in-house trainings given by the banks themselves and the Myanmar Bankers' Associations. It should be an organisation for bankers but they are also engaged in monopolisation of knowledge and creating management cultures in banks. These were the places where the similarities among the banks' employees' perceived values and norms could be created. Since these trainings were given by the managing directors and the senior staff members of the banks, it was expected that the shared values and norms would be passed over to the other banks. It was also interesting to discover the fact that there were no competition among banks' sister branches. This could be the result of the locations where the banks' branches were. Thus, their performances were incomparable with the main branches such as Yangon and Mandalay where most of the commercial activities take place.

Table 7-5: Sources of Norms and Values in Government, Private and Semi-Government Banks

Sources of Norms and Values	Authority at Management	External Trainings	In-House Trainings	Myanmar Bankers' Associations
Government Banks	Yes	0	Yes	Yes
Private Banks	Yes	Yes	Yes	Yes
Semi-Government Banks	Yes	0	Yes	Yes

Coercive pressures from the CBM influenced the way in which normative pressures were formed. They gave more power to the property value assessors. These banks are very hierarchical and bureaucratic. Though loan officers may give opinions regarding the loan applicants, due to fixed interest rates and fixed guidelines, soft information regarding the loan applicants was unimportant. Hence, the educational background of the job selection criteria did not reflect the requirements a bank loan officer should have.

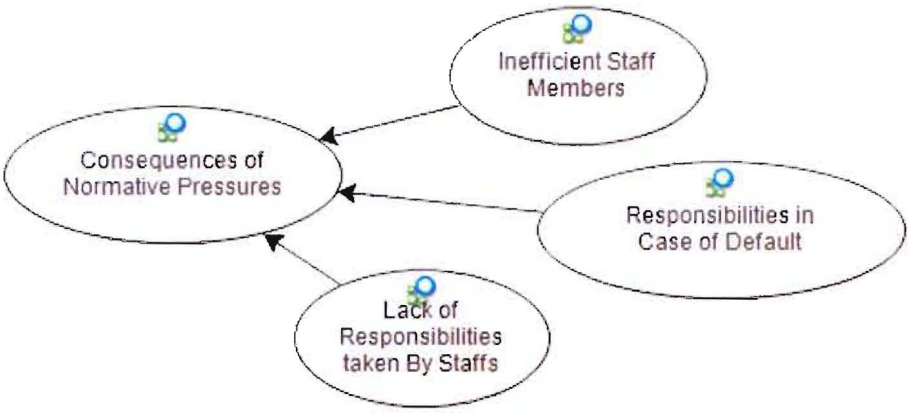

Figure 7-4: Consequences of Normative Pressures

For instance, when an interviewee was asked how they selected an employee for the bank, they mentioned that one should hold an accountancy or economic degree. However, when she was asked about the educational backgrounds of the loan officers' portfolios, she mentioned that the bank had history graduates performing the job. While the loan decisions were made by the top level management, the staffs become incompetent and the fear of taking responsibilities persist. Consequently, all the decisions were again directed back to the management. In summary, the sources of normative pressures were similar across the banks and especially, top-down management style, risk adversities and ethical concerns.

7.3.3 Mimetic Pressures

From the empirical data collected from the interviews with the banks, they did not mention of adapting industry best practices or having mimetic pressures exerted from the other banks. However, they did identify some of the foreign banks that they wanted to imitate or had imitated in their operational activities. Since the CBM had laid out the standard lending criteria and the banks having similar sources of normative pressures, these banks had no scope for creativities in their lending practices. Banks not being allowed to engage in marketing activities also state that credit culture as a whole was not

encouraged in the country. Thus, banks did not compete with the number of large businesses that they had. However, due to the size and the ownership structures of the banks, banks were incomparable. Four new banks started their banking operations in the country since late 2010. These empirical data are collected during the summer of 2010. Therefore, these new banks could only be potential threats for the existing banks. However, when the participants were interviewed about how they felt about these new banks, they did not feel they could become threats for their banks as they felt that every bank had their own customers. They also stated that every bank operating in the country still had to follow the CBM's rules and regulations which did not give them a scope for competitions. However, in 2011, some of these banks were interviewed again about their feelings of the new banks and they mentioned that their deposits decreased dramatically and some of the borrowers went to those new banks. This indicates that many of Myanmar nationals are not familiar with banking services and only handful number of people are depositing with the banks.

Table 7-6: Effects of New Entries of Competitors on Banks with Different Ownership Structures

Effects of New Banks' Entries	A : Government Banks	B : Private Banks	C : Semi-Government Banks
1 : Decreased Lending	0	0	1
2 : Lose Deposits	0	1	1
3 : None	2	0	2

In summary, banks did not have pressures from peers due to lack of creativity allowed as the coercive and mimetic pressures standardised their lending practises. However, the findings also suggest that the pressures that banks encountered and how they responded to these institutional pressures were also dependent on their ownership structures and their associations with the government. These heterogeneities will be discussed in the following sections. Banks' ownership structure is another important mediating variable in the degree of government pressure as well as a contingent factor in their resistance to

institutional pressures. Differences in banks' strategic responses to institutional pressures have not been studied before; therefore, there is no literature in regard to this area. Hence, it becomes more interesting to explore the banks' ownership structures and their impacts on theoretical frameworks.

7.4 Implications

This study endeavours to develop a new framework to study banks' lending behaviour from sociological perspective by incorporating two theories from the discipline such as institutional theory and Oliver's strategic responses. It contributes to the existing body of theory on banking and organisational studies by applying these theories to banks in the new context, Myanmar. Hence, the study has bridged the literature and theoretical gaps. The findings also aim to contribute to the country's current financial sector reform by describing those areas that need development. Unexpectedly, the study would provide methodological implications for those researchers who are to conduct research in Myanmar.

7.4.1 Theoretical Implications

As described in chapter three, the thesis incorporates two theories to better understand the interplays between banks and institutions in banks' lending decision making. Hence, the findings have not only confirmed the assumptions underpin theories were created but also new propositions are developed for future study in respect to the theories.

7.4.1.1 Institutional Theory

Institutional theory states that organisations comply with institutional pressures to achieve legitimacy rather than efficiency. Since the research identified banks' opinions on different institutional pressures that were exerted upon them which have confirmed the theory's assumptions of organisations' conformity to such pressures to attain legitimacy.

As described in the previous section, banks' lending practices were restricted by the CBM, they had expressed their opinions on how their efficiencies could be improved. Figure 7-5 shows banks' opinions on what factors could be changed to improve their performances. The bank managers' expressions and their opinions in regard to the coercive pressures can be viewed as the confirmation the assumption by which institutional theory is developed. They mentioned their requirements for the regulatory change and their unwillingness to conform to these coercive pressures were identified. They mentioned that the need for the central bank's transparency, abolishing restrictions on criteria of collateral requirements, lending limit, deposit and interest rates, increasing margins between these rates, improving laws and regulations. However, due to the high degree of legal coercion, they had no choice but to conform.

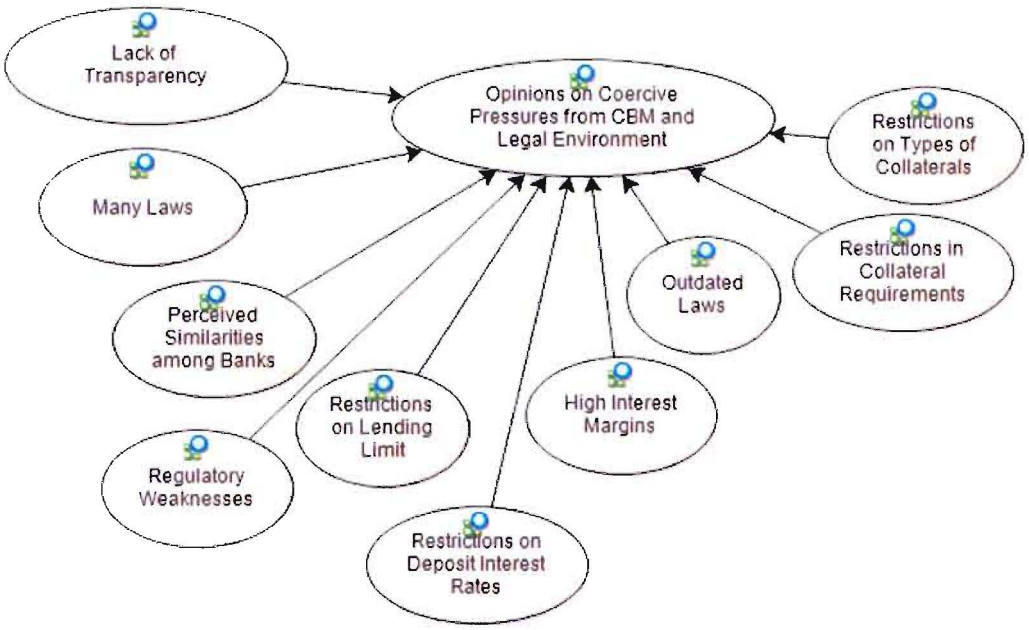

Figure 7-5: Banks' Opinions on the Pressures Exerted from CBM

Other concerns by banks on top-down management style (figure 7-4) that had influenced their activities provided that fact that banks were not achieving their maximum

efficiencies but were bounded by the institutional pressures. Although assumptions by institutional theories were confirmed, the research has also identified the theoretical gaps that will need to be studied further.

Power of Coercive Pressures

Proposition 1: The power of coercive pressures in creating homogeneities is greater than normative and mimetic pressures.

Proposition 1a: The greater the coercive pressures, the role of normative and cognitive pressures diminish as it could influence the sources normative and cognitive pressures.

Most of the research using institutional theory to study a phenomenon usually 'pressures' as independent entities and their association with sources from which these pressures being emitted are only vaguely explained. However, in discussing institutional theory related research, the sources should be explained in detail as the degree of authority each source has on organisations, in this case, banks, can have impacts on the normative and cognitive pressures. From the findings, the source of the coercive pressures is the government, whose regime has been in power for significant amount of time. This in turn influences the normative pressures, products of corporate and management culture, and banking associations. Due to the high intensity level of coercive pressures, homogeneity in lending practices is created by the CBM itself.

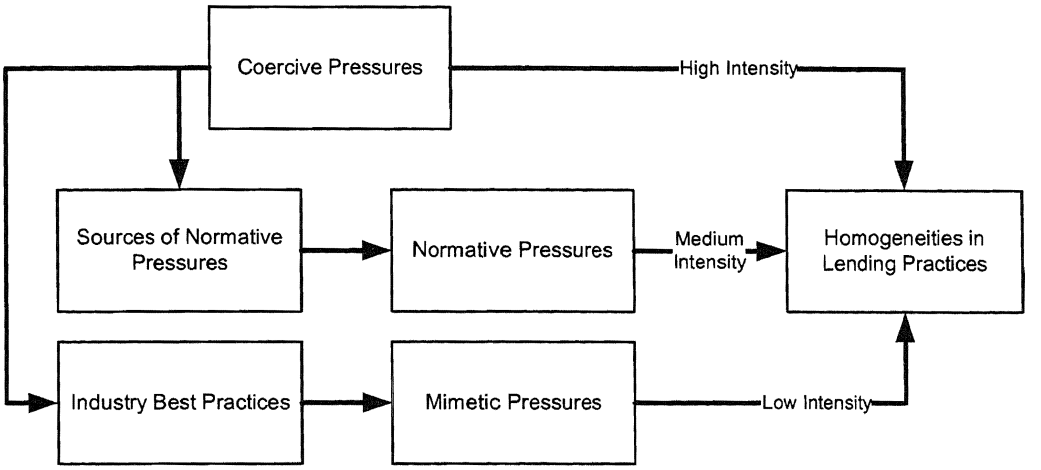

Figure 7-6: Influence of Coercive Pressures on Normative and Mimetic Pressures

In other words, the research identified that there three institutional pressures might not be needed to create homogeneities in banks' lending practices. Instead, coercive pressures along with normative pressures, especially, the coercive pressures are more important in creating homogeneities. In other words, the research identifies that three institutional pressures are not required to co-exist together and the importance of one pressure, coercive, can diminishes or omit the need for mimetic pressures to create homogeneities.

Heterogenetic Legitimacy

Proposition 2: Legitimacy requirements are dependent upon the banks' ownership structures creating 'heterogenetic legitimacy'

According to institutional theory, homogeneities in organisations operating in the same institutional environment can be found. However, it does not recognise the varying degree of institutional pressures on organisations. For example, the findings suggest that there are institutional pressures are higher on private banks compared to other banks to conform to regulatory requirements. On the other hand, government related banks have higher degree of pressures to allocate credit for developmental purpose. Therefore,

intensity levels of institutional pressures are dependent upon organisational structure and 'heterogenetic legitimacy' is formed.

Table 7-7: Presence of Coding in Heterogenetic Legitimacy across Banks

Heterogeneities	G-A	G-B	G-C	P-A	P-B	P-C	P-D	S-A	S-B	S-C	S-D	S-E
Transparency	0	0	Yes	0	0	0	0	0	0	0	0	0
Stick to Locality	0	0	Yes	0	0	0	0	0	0	0	0	0
SME Loans Given by Management	0	0	0	0	0	0	0	0	0	0	0	Yes
Restrictions in Deposit Accounts	Yes	0	0	0	0	0	0	0	0	0	0	0
No Tax	0	Yes	0	0	0	0	0	0	0	0	0	0
No Service Charge	0	Yes	Yes	0	0	0	0	0	0	0	0	0
No Restrictions on Types of Businesses	0	Yes	0	0	0	0	0	0	0	0	0	0
No Restrictions on Deposits	0	Yes	0	0	0	0	0	0	Yes	0	0	Yes
No Commitment Charge	0	Yes	0	0	0	0	0	0	Yes	0	0	0
No Collateral Requirements	Yes	0	0	0	0	0	0	0	0	0	0	Yes
No Close Supervision	0	Yes	0	0	0	0	0	0	0	Yes	0	Yes
Long-term Loan Maturities	Yes	0	Yes	0	0	0	0	0	0	0	0	0
Loan Size Restrictions	0	0	0	0	0	0	0	0	0	0	0	0

Table (7-3) is provided to show the presence of coding the theme 'heterogeneities' across the interviewed banks. It should be noted that they are not presented with the purpose of generalisations but as to analyse how differently legitimacies were achieved with respective to ownership structures. From the table, heterogeneities could be found across interviewed government and semi-government banks but not with private banks. This indicates that banks' ownership structures or affiliations could have leniencies in legitimacy requirements. These heterogeneities might have great impacts on the banks' lending. It was mentioned by one interviewed government stating that they did not require to pay tax. Similarly, a private bank also mentioned that government and semi-government banks which had great political ties were exempted from paying tax. This indicates that these banks had more capacities to lend than those who needed to pay tax.

Some of the banks were not restricted in terms of collateral requirements, maturities, commitment and service charges. These allowed them to attract more borrowers than those whose lending criteria were restricted by the CBM. In other words, such banks took more risks than the others. In addition, being able to provide long-term loans mean that these banks could provide more investment loans. Hence, despite restricting banks in only accepting land and buildings as collaterals, there were also other types of security-wise loans were found as provided Figure 5-19 . Though it did not provide the fact that whether these types of loans were made by government affiliated banks or not, they could be created only with 'heterogenetic legitimacy' and 'Compromise Strategy (Bargain)' in which CBM and the government would be fully informed.

The theme 'restrictions in deposit accounts' indicates the trust received by the banks from the public. As G-A bank mentioned:

> *Even if we provide bad customer service, there will still be customers because they trust government banks more than private banks.*
>
> G-A

Hence, the government banks having more trust from the public and also having to leniencies in terms of restrictions on lending criteria exerted upon banks from the CBM they received more deposits. This created more capacities for them to provide more loans to the sectors than private banks. In addition, three of the interviewed government affiliated banks provided the fact that they did not restrict lending to those businesses based on ethical concerns. This confirmed to the fact in which P-D stated as:

> *We are not lending based on our strategy and not policy but due to the demand. We have no credit priority policy. If the businesses are not in accordance with government policies or oppose to government, we don't*

lend them. We are kind of strict with alcohol related businesses but if we have demand, we lend to them because if we don't lend, the government banks would.

P-D

Interviewed private banks mention that they have close supervision, i.e. having to give daily reports at CBM while other government related banks are not required. There are homogeneities in banks' lending behaviour, however, the level intensity of these coercive pressures on banks create heterogeneities in legitimacy. In other words, some banks have lesser requirements or leniencies to conform to in order to achieve legitimacy compared to the other banks. In this case, ownership structure plays a great role in creating heterogenetic legitimacy. Consequently, it increased the competitive behaviour among banks.

7.4.1.2 Oliver's Strategic Responses to Institutional Pressures

By incorporating strategic responses to institutional theory to study the banking sector in Myanmar, both theory and research have contributed one another by not only allowing the researcher to identify strategic responses by which banks respond to different institutional pressures but also additional factors that should be considered when applying the theory in future research. They are contingent factors and Unintentional Avoidance.

Contingent Factors and Contingent Strategic Response

Proposition 3: Banks' strategic responses will be dependent upon the contingent factors arising from task environment.

This theoretical contribution arises from the grounded theory coding method when the researcher does not restrict the data into the framework but allows them to emerge from the data. It was predicted by Oliver (1991) that organisations' strategic responses would

be dependent upon cause, constituents, content, control and context. These are the predictors to understand the extent to which organisations would be resistant to institutional pressures. By incorporating this theory in banking industry, the contingent factors related to this specific context were identified. Through observing banks' liquidity, capital adequacy and reserve ratios, security wise loans and interviewed data, risk adversities not only by the banks but also by the regulatory authorities were found. However, banks' risk taking behaviour and resistant to institutional pressures were also found through the interviews with the banks. Those influencing factors arise from the banks' task environment, thereby, creating 'contingent strategic responses'.

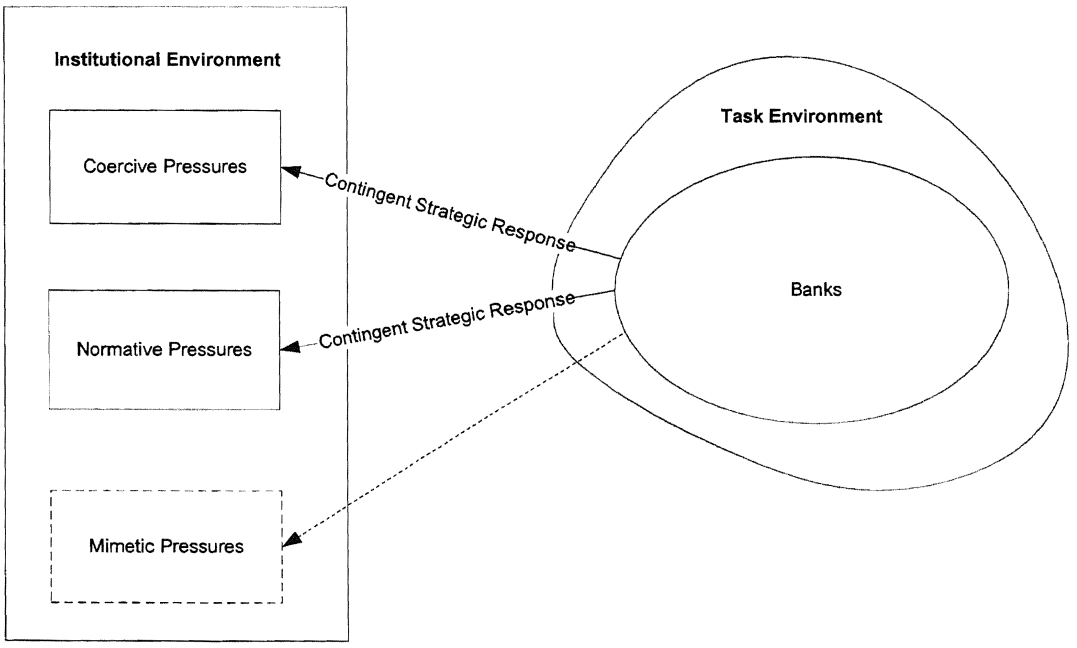

Figure 7-6: Banks' Strategic Responses to Institutional Pressures

In this research context, coercive pressures exerted by regulatory institutions demanding financial stability could be compromised by the banks to meet the demand of organisational constituents to increase financial profitability. For instance, through conversations with banks' management, some of the interviewees mentioned that depending on the customers' credibility, they would either increase the loan collateral values or charge interest rates only on certain fraction of the loan amount. One

interviewee also stated that if they were asked by any politically affiliated firms (i.e. guaranteed by political actors), they might also compromise these institutional pressures by charging lower interest rates or providing loans without collaterals. This creates 'contingent strategic response', which depends upon the consumer's credibility.

Similarly, banks also compromise their cultural values of limiting their lending to non-ethical and risky businesses depending on the borrowers' business prospects and competition. Therefore, in this case, the rationale behind banks' strategic responses is not entirely due to the higher degree of multiple constituents but depends upon the loan applicants, which in turns improve the banks' efficiency, i.e. achieving higher profitability. This again also proves the presence of a contingent strategic response to institutional pressure. As mimetic pressure is not identified from the research, I was unable to deduce the types of strategic responses the banks would take to these pressures.

Table 7-8: Contingent Factors in Strategic Responses to Institutional Pressures

Contingent Factors	Government Banks	Private Banks	Semi-Government Banks
Stimuli- Loan Applicant's Trustworthiness and Prospects of the Business	1	0	1
Stimuli- Loan Applicant's Business Prospects	0	1	0
Condition - CBM's Approval	0	1	0
Stimuli - Competition	0	1	0
Stimuli - Profitability	0	2	2

In summary, the banks' contingent factors to resist institutional pressures depend on task environmental factors related to customers' trustworthiness, business prospects and profitability, and competitors. In addition, in some cases, conditions were also attached to them, i.e. getting the central bank's approval or the awareness by the regulatory

authorities. The latter was created the government as the guarantor in case of default to protect the banks from loss.

Unintentional Avoidance

Proposition 4: Banks' strategic response to institutional pressures dependent on 'customer demands' would create 'unintentional avoidance' resistance strategy

This is also related to the banks' task environmental factor affecting their strategic responses. The research has identified an emerging theme 'unintentional avoidance' whose contingent factor was 'customer demands'. This is a theme that should be noted in the study because it allows the researcher identify the different types of customers that banks engaged with. According to Oliver (1991), this could be termed as a weak-form of strategic response to institutional pressures in which banks had no control over the type of borrowers that they worked with. Banks have the pressures to lend to industrial businesses at a lower interest rate; however, these types of customers did not apply loans from the private banks but from the government banks. . Hence, those businesses that engaged in sectors that were favoured by the government would borrow from the government-affiliated banks and not from private banks. As the credit culture was not encouraged by the regulatory authorities and the restrictions were imposed on the lending criteria by standardising, banks had limited demands for loans. In other words, banks' loan portfolios would be based not by their allocation strategies but by customer demands.

Reverse Legitimacy

Proposition 5: Under tight regulatory environment, banks' collectively exercise 'manipulative' strategic response to create 'reverse legitimacy'

Under a highly regulated environment, strategic responses to institutional pressures range from acquiescence to compromise only. Collectively, banks try to shape values and criteria through manipulations while conforming. They are termed as banks' passive responses to institutional pressures, i.e. to alter the nature of demands in a manner that is acceptable to the action and the institutional agent. Through this process, 'reverse legitimacy' can be created. In 2010, four new banks started their operations; therefore, these additions make the industry much more competitive. From the conversations with the banks both in 2010 and 2011, I discovered that banks have tried to communicate with the policy makers to change the guidelines, especially with the restrictions on collateral requirements which were amended since 2003. However, they said that it had not been successful. After the end of my second stage of data collection, in 2011, CBM published a statement indicating that banks could accept commodities and gold as collaterals. They might also be the result of their collectivism as a group of banks to influence the CBM t (manipulative strategic response, influence tactic).

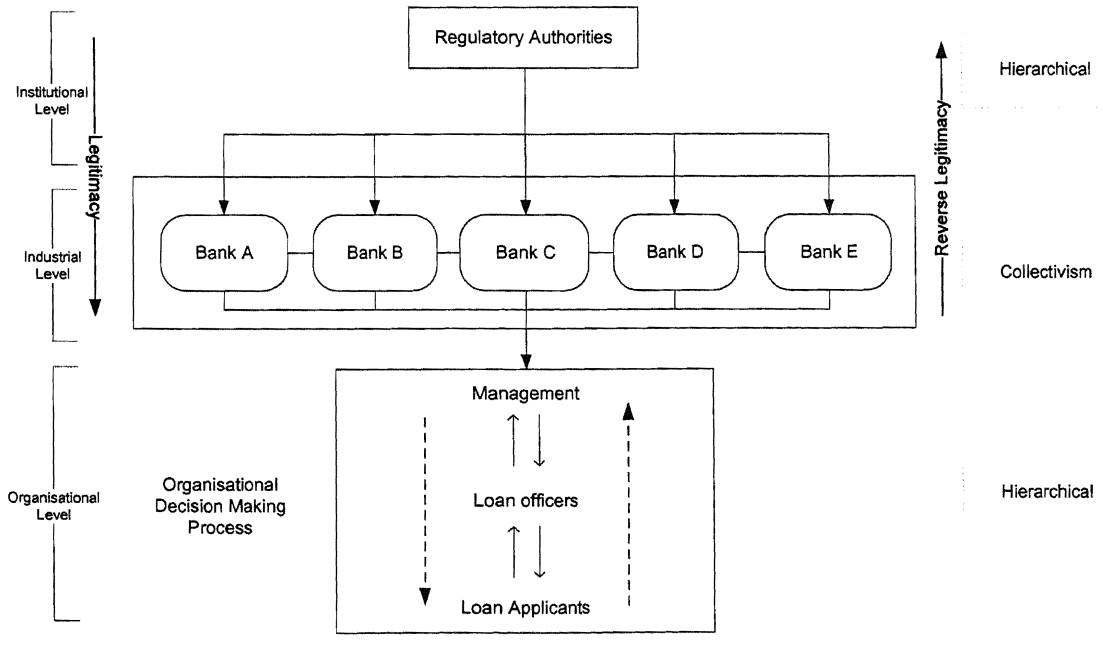

Figure 7-7: Graphical Presentations of the Decision Making Patterns at Different Levels: Institutional, Industrial and Organisational Levels

In order to explain 'reverse legitimacy' from Oliver's (1991) strategic responses view, it can be identified as banks manipulating (or constant challenges towards institutional pressures). Only when powerful affiliated organisations are present, then, these institutions would require legitimacy from them. From this research, reverse legitimacy exists and this contributes to institutional theory which gives less importance to the role of 'agency' in institutionalisation process and assumes that legitimacy requirements are imposed only from one direction, i.e. from institutions. These four new banks were said to have strong political ties and the CBM added a list of additional acceptable collaterals in 2011. Such change could be categorised as 'reverse legitimacy' according to Riaz (2009), which is the result of the emergence of powerful business and financial organisations.

Strategic Responses, Ownership Structures and Heterogenetic Legitimacy

Proposition 7: The more the government has stake in banks, they are less likely to engage in strong forms of resistance to institutional pressures.

Proposition 8: If the banks have heterogeneities in legitimacy requirements, they are less likely to engage in strong forms of resistance to institutional pressures

The above propositions were developed based on different strategic responses identified in the following Table 7-7, developed from matrix coding in NVIVO. It has identified that strong forms of resistance to institutional pressures could not be found in fully-owned government banks but in private and semi-government banks. From the table, it can also be seen that normative pressures are more prone to strong forms of strategic responses than coercive pressures. Thus, this might indicate that legal coercion is less likely for the banks to resist strongly. However, strong resistances were identified in those banks with less government stakes. This can also be related back to 'heterogenetic legitimacy' as presented in Table 7-7.

Table 7-9: Weak Forms of Strategic Responses to Coercive and Normative Pressures Identified from Interviewed Banks

	Weak Form	Weak Form	Weak Form
	Unintentional Avoidance to Normative Pressures	Avoidance (Conceal) to Central Bank's Pressures	Compromise (Bargain) to Other Sources from Coercive Pressures
G-A	0	0	0
G-B	Yes	Yes	0
G-C	0	0	0
S-A	0	0	0
S-B	Yes	0	0
S-C	Yes	0	0
S-D	Yes	Yes	0
S-E	0	0	0
P-A	Yes	0	0
P-B	Yes	Yes	Yes
P-C	Yes	0	0
P-D	Yes	0	0

Table 7-10: Strong Forms of Strategic Responses to Coercive and Normative Pressures Identified from Interviewed Banks

	Strong Form	Strong Form
	Defiance (Dismiss) to Central Bank's Pressures	Defiance (Dismiss) to Normative Pressures
G-A	0	0
G-B	0	0
G-C	0	0
S-A	0	0
S-B	0	0
S-C	Yes	Yes
S-D	0	Yes
S-E	0	0
P-A	0	0
P-B	Yes	0
P-C	0	Yes
P-D	Yes	Yes

Since government banks were given leniencies in the institutional requirements that they needed to conform, they were able to lend with lesser requirements, thereby, were not required to resist the institutional limitations. In addition, the government has the power to disguise any of the non-conformities through political motivation such as development purpose loans. Politicians can use their power to control financial resources much easier than open entry barriers in other sectors (Rajan and Zingales, 2003). Dinc (2005) finds political motivations behind lending by government-owned banks in emerging markets, that is, increasing lending in election years. Since I am not sure if banks did not fully disclose their strategic responses, the propositions should be studied further in the future research.

7.4.2 Practical Implications

The practical contribution of this research is its recognition of understanding sociological factors in studying organisational practices not only in developing but also in developed countries, especially in regard to banks' lending practices. Through using institutional theory, it has recognised external factors that shape organisational practices, especially in banking industry. It has identified the main source of coercive pressures that shape homogeneities; therefore, it allows policy makers to recognise the point from which financial policy reforms should be made. These findings can be extended towards other organisational practices, one of which is the change management practice. In addition, it has contributed to cultural understandings in regard to Myanmar through studying corporate culture as a part of the normative pressure source in the developed theoretical framework for this study. This section is structured in two parts. The first part focuses on the implications of the findings to Myanmar banking industry and the change in management practice. The second part focuses on the main contribution to cultural understandings.

It is needed to examine the implications of the findings of the study for a number of interested parties, especially, the bankers, policy makers, and businesses. As in reviewing the literature, they can be divided into three levels, Macro, Meso and Micro Levels as to relate with sociological concepts, which are the basis of the study. However, such type of differentiation will not enable the reader to identify the needs of changes. Therefore, the impacts will be discussed from the implementation of 'financial liberalisation' for economic growth in banking sector during the Myanmar's economic reform.

7.4.2.1 Financial Liberalisation (From the Banking Sector Perspective)

It has been well accepted by researchers that there is a relationship between development and finance. Here, financial liberalisation is described as a tool due to its use by the developmental organisation to enhance economic growth. It argues that financial resource mobilisation is suppressed by strict controls on interest rates, insufficient competition, high reserve requirements, and government allocation of credit. Therefore, mechanisms of financial liberalisation involves deregulating interest rates, privatise and liberalise bank licensing as to increase competition, lower reserve requirements, and eliminate credit allocation towards preferential or priority sectors or for government borrowing. These are made to bring the developing countries in line with the practices of financial institutions in advanced capitalist societies such as Anglo Saxon countries as opposed to traditional Japanese or German financial systems where strong links between firms and financial institutions exist.

After 62 years, in 2010, Myanmar has embarked on reforms not only politically but economically through elections under the 2008 Burmese Constitutional Referendum. These reforms are assisted by international development organisations such as International Monetary Funds (IMF) and the World Bank. As expected in any economic

reforms, one of the tools used by these organisations is 'financial liberalisation' to promote economic growth.

Liberalisation of the financial sectors means Myanmar will be exposed to foreign competition and globalisation. These financial liberalisation policies have been increasingly implemented by many countries for development since the 1980s. Due to the country's economic isolation in the past, the current financial crisis has little effect on the country's financial system. The need for this study comes with the collapse the ideal market deregulations of the western nations that financial liberalisation theory is based upon and the Myanmar's economic reform. This creates a doubt on the effectiveness of financial liberalisation. The process requires prudent care as inability to recognise a country's institutional structure and the process of banks' interaction with these institutions can result in financial crises since there are many prior instances. Without mentioning the crises resulting from financial liberalisation in other parts of the world, even within the South East Asia region, there are several good examples such as Thailand, Indonesia, Malaysia, and the Philippines. In summary, Myanmar banking industry can be described as 'over-protected' and not within an ideal properly functioning financial system. At the same time, the occurrences of financial crises in what were labelled as 'ideal systems' create doubts on the definition of it.

The American and UK style financial liberalisations are problematic for many reasons. First, it relies on bond and stock markets which tend to be poorly formed in most developing countries rather than on bank loans for financing investments. They are used more for speculative purposes. Currently, the country is undergoing a dramatic economic reform from being an isolated economy for many years. Therefore, there are some issues that must be considered if transformations are to be done hastily.

In this discussion chapter, financial liberalisation is not discouraged. In addition, it is very early to conclude that liberalisation of the banking industry would be a failure. However, its purpose is to raise some issues to be considered when implementing policies. This study is based on my experience, knowledge of the country's economic and financial systems as a local Myanmar and interviews with the banks.

Myanmar's economic transformation has tremendous and ambitious agenda. Therefore, it requires some analyses on the issues that need to be addressed if financial liberalisation process is to be successful. The following sections are described in relation to support the need for 'Phase-based Banking Sector Liberalisation' instead of 'Complete Banking Sector Liberalisation'. They are constructed based on the researcher's perspective of financial sector development as an institutional transformation instead of taking the orthodox view of financial liberalisation where individuals are assumed to behave in predictable manner.

7.4.2.2 Liberalisation of Regulations

Liberalisation process involves relaxing or the removal of capital adequacy requirements, interest rate ceilings, collateral requirements, and barriers for new entrants, reserve requirements and government allocation of credit. In other words, it is a step for modernisation of the financial system.

The discussions on this regard will start with interest rate liberalisation relating to the findings. Control of banking activities through imposing ceilings on deposit and lending rates and credit allocation are the elements of financial repression. In this paper, the findings also support the fact that such kinds of financial repressions exist in the country. Allowing the removal of interest rate ceilings means they will be determined based on supply and demand. Theoretically, it is meant to reduce the interest rate spreads (i.e. difference between deposit and lending rates). However, the findings suggest that some of

the interviewees recognised the high interest rates but think the spreads between deposit and lending rates to be low. This shows that banks are highly profit seekers. This can discourage savings in the banks and encourage savings in the form of physical goods such as land and property, and durable goods. As it is with the high interest rates, the prices of these goods, land and property have been increasing over the years. Despite these increments, banks are limited by the CBM to provide loan size at 50% of wholesale collateral values. These allowed collaterals are land and property only. It does not even include condos or apartments.

This is when the roles of value appraisals come into play. Similar to the credit rating agencies in the developed countries, in the country where these kinds of institutions do not exist, collateral value appraisers are important in providing loans, especially with the size of the loans. There are some instances reported by the banks stating that loans applicants sometimes interact with these value appraisers to increase their collaterals values, thereby increasing the loan size which is limited at 50% by the CBM. This can be compared with the developed countries' credit rating agencies which have contributed to the global financial crises. Indeed, in Myanmar, the increasing prices of land and property has sustained the banks from collapsing, however, the similar incident can also occur in the country if the same phenomenon as in the developed nations take place. Some of the banks have gone beyond the 50% limit, depending on the prospects of the business. Another bank even mentioned that they only charged interests on certain proportion of the loan size. This indicates that banks are risk takers irrespective of the regulative pressures imposed on them to follow the strict guidelines. Hence, having reserve requirements need not be abolished. Treasury bonds

Thus, even under the long period of financial repressions, the banks have been able to recover not only losses but also make profits through liquidating collaterals whose market values have been increasing. In other words, the repressions do not have much effect on

banks' profitability, instead inadequate enforcement of prudential rules and regulations from the regulatory authorities allow them to violate legal lending limits and creditworthiness criteria, and the over reliance on collaterals. This prevents banks from lending to those without collaterals even if the businesses have good prospects. Hence, these types of business owners have to go to alternative sources such as equity or informal money lenders, thereby increasing the cost of financing. The CBM does not allow banks to provide factoring services, which can significantly affect those in export/import businesses. Along with the trade liberalisation, this can hamper the businesses' operations. Unlike the overdraft facilities, the banks provide overdrafts to their customers with collaterals. As there are no long-term borrowings and the terms of the loans are limited to one year renewable depending on the borrowers' performance, control on these loans prevent some small and medium sized businesses from accessing financing from the banks.

In addition, since 2003 financial crisis in Myanmar, resulting from the pyramid scams, created public to have more trust on the government banks than on private banks. Though there are only four government banks, by observing the size of their deposits, they are much higher than those of private or semi-government banks.

Critiques of financial repressions discourage the government's credit allocation programs. As in other underdeveloped and developing countries, from the interviews with the banks, the allocation of financial resources to politically connected parties is found. However, certain credit allocations programs are encouraged as banks' themselves are reluctant to lend without collaterals or assurance from higher authorities. Thus, for certain industries to obtain finance for development need government interventions and support.

Another aspect of that the theoretical ground of financial liberalisation policies is that it does not consider the financing culture of Myanmar. This is similar to Modigliani and

Miller's (1958) view of financial markets as independent entities from the rest of the economy. In other words, it proposes that finance and growth are unrelated. Nevertheless, they do not mention of businesses' financing culture. People in the country are not familiar with credit culture, therefore, taken for granted view of financial liberalisation enhances economic growth should be revised. Moreover, with the banks only targeting towards large and affluent businesses, economic growth through efficient credit allocation would depend on government and policy makers.

In addition, in 2010, before the start of the new banks' operations, the domestic banks believed that their operations would have little impact on them. Nevertheless, when they were interviewed again in 2011, some banks said that their deposits reduced. This indicates that there are only handfuls of people who have relationships with banks. Therefore, instead of using conventional approach of increasing interest rates to encourage savings, the government should encourage people from rural areas to become familiar with savings. None of the banks other than the government-owned bank, Myanma Agricultural and Development Bank is involved in such kind of activities. Liberalisation of regulations should also accompany with technological developments by establishing database system for banks to check genuineness of loan applicants. Moreover, there is no technological development in the country, physical currencies such as paper currencies are circulating in the country, instead of electronic money transfer, money creation is only done through loans, and bonds issued by the governments.

In summary, policy makers involved in financial liberalisation should focus on the inclusion of small businesses and the general public. Financial liberalisation promotes considerable positive effects on banks, i.e. the ability to charge interest rates as they see fit, lower reserve requirements which can increase banks' lending, etc. On the other hand, the effects of the process on businesses such as small and medium sized ones are still

vague. Indeed, they also need to be accompanied by increased competition in the industry for successful implementation. This will be discussed in the next section.

7.4.2.3 Legal Framework Improvements

There are many reasons why the Myanmar's legal system should be overhauled. In this thesis, only those related to banking operations, specifically for improving lending in Myanmar are discussed. One of them is the weak legal system. Some of the delinquent borrowers can enjoy some protections under the current legal system. For instance, if the borrowers cannot pay back the loans within two years, the banks can make lawsuits, however, the court can reduce the interest rate to 9%, when banks are lending at 17%. Secondly, the existing company laws and banking regulations are based upon those which are established prior to Myanmar's Independence in 1948. This clearly needs to be revised. Thirdly, at present, there are no reliable information systems for banks to access data of customers' property, land and security registrations as well as credit information. If any of this information is to be obtained, banks need to contact the respective ministries or institutions or banks to gain such kind of information. This not only increases the application processing time, but also can be detrimental to good judgment on loan applications. Having such kind of information system, the overreliance of banks on collaterals such as land and property is likely to diminish and reduce the high loan exposure to asset price inflation or deflation because they can also obtain soft information about the borrowers.

Banking systems are one of the most highly regulated industries in the world. The regulatory structure which has been idealised by other countries, UK, has undergone significant reforms after 2008 banking crisis. Prior to these reforms, UK banking system is made up of the BoE, FSA and the Treasury. It is named as 'Tripartite' Regulatory System. They are independent institutions and many researchers have pointed out that the

collapse of financial system is the result of no single institution having the responsibility, authority or powers to monitor the system as a whole, identify risks, and respond them with coordinated actions. Therefore, in 2010, 'twin-peaks' regulatory structure is implemented where only Treasury and BoE are given the task of performing 'financial system stability'. This is explained to propose that idealising successful regulatory systems needs to be cautious, as countries have different institutions, and their interactions are also unique. Thus, the collapse of financial system is inevitable if proper regulatory structure does not exist. In contrast to UK's 'twin-peaks' regulatory structure, Myanmar banking system has only one institution, i.e. the Government which controls the banking system indirectly through Ministry of Finance and Revenue and CBM. Though this might not be considered the perfect structure, since 2003, Myanmar has prevented any banks from collapsing; indeed, it is also contributed by the lack of capital markets. However, with the entry of foreign banks' operations and other financial institutions, Myanmar's financial system will be exposed to more risks, therefore some precautionary measures needed to be taken as the supervision and monitoring function of CBM will not be enough to maintain financial stability.

If the banks' interest rates are to be floated, the structure of the Central Bank should also be changed as to provide more transparency. For instance, inflation targeting would help not only banks but also businesses. The interviewed banks mentioned that the real inflation rates are not identified by the CBM and contradicts with what the actual inflation rate is. CBM has made its progress by developing a website in 2012. However, it needs a lot of improvements.

The concern of transparency has always been associated with the central banks, however, the need for banks' transparencies have somehow left unattended by researchers and policy makers. Banks' financial statements are not published; therefore, they are not available to the general public. The answer given by them on not providing these

financial data is due to them not being publicly traded. However, as far as the stakeholders are concerned, banks have depositors, governments and employees who have the rights to know the banks' risk taking activities. Thus, there should be some forms of regulations that would make not only the central bank but also the other domestic banks to become more transparent.

7.4.2.4 Human Capital Development

While conducting my data collections, I have the privilege to interview senior managements of the banks. During these visits, I was able to ask their recruitment criteria for loan officers. Most of the banks stated that their main selection criterion is that the applicants must be graduates. Some of the senior staffs in the banks are not graduates from finance, banking or accounting disciplines. They learn through experience and are asked to attend some of the programmes organised by Myanmar Bankers' Associations. It offers a range of courses starting from certificates to postgraduate level courses including Master of Business Administration (MBA). These trainings are delivered by the senior managements of the existing banks; therefore, banking norms are shared among the staffs across different banks. Some of the large banks send their staffs to overseas countries, mostly to the countries in the same region such as Thailand and Singapore. However, most of the banks could only provide their staffs with trainings from internal training programs, i.e. from the banking association.

The curriculums provided by the association has been criticised by one of the interviewees stating that Basel II is not included in teaching because it is considered to be irrelevant with the Myanmar's Banking Context by those who developed the curriculum. This indicates that people are not forward looking. As foreign banks are expected to come into operations and if the banking structure of developed nations is to be replicated in Myanmar, banks should encourage their staffs to understand different credit scoring

techniques to increase consistency and objectivity in making lending decisions. As the economic development is also contributed by small businesses' development, bankers should give more emphasis on prospects based income bearing assessment rather than a purely collateral-based lending. In other words, adopting a more 'going concern' lending approach in analysing financial information and collaterals would be more advantageous to both businesses and banks. This will also require banks to understand credit risk assessment procedures for these types of businesses.

Some of the banks mention that they have hard time recruiting recent graduates because of their lack of inability to speak English even though they might be qualified Chartered Professional Accountants (CPA). Through my observation as a researcher, the senior managements of the banks are in their late 60s or some of them are over 60. This is something that needs to be changed where new generations of expertise or professionals need to be created. Another bank mentions that the lower level managers are reluctant to take any responsibility. Therefore, not only education but also professionalism must be infused in the staff developments. These can be the result of the bureaucracy transferred from the political environment to the organisations' management structures.

Throughout the long period of financial repression, the main priority of the banks was to engage in traditional banking activities with low credit risk programs. With these tight regulations, their objective is to maximise profits from investments while attaining legitimacy from the government. In addition, with the close supervisions, banks have no chance to make mistakes resulting in all the lending decisions to be made at the senior management levels. This requires putting on a façade of convergence to institutional pressures in order to achieve their profitability. In addition, some requires extreme care as not to lend to any restricted sectors or people who are against the regimes. Any mistakes can cause banks to serious punishments. The senior managements of the banks also mentioned that their subordinates did not want to take any responsibilities and would

want them to make decisions in all regards. Therefore, the roles of lower level staffs have diminished and they exist merely as administrative staffs. At the same time, the role of collateral value appraisers has increased. This can be compared with the credit rating agencies in the west. There are instances in which many of the interviewees identified that bribing cases exist. In developing countries, including Myanmar, 'bribing' is a cultural issue. Once we view something as a cultural problem, our approach of transformation should be taken in different ways.

To support organisational and regulatory transformation, a sufficient labour force must be trained in order to economic growth. In many situations, when new financial entities are created or transformed, the due consideration of manpower capacities, developments, working culture and top-down management interactions. Banking development for economic expansions includes banks to engage in risky loans and the need for banking staffs to engage in these types of activities require not only knowledge but also the ability to take responsibility. Otherwise, this will create a barrier for banks to replicate themselves to the western banking infrastructures.

7.4.2.5 Liberalisation of Bank Licensing and Foreign Banks' Operations

In order to fully complete the above financial liberalisation process and efficient resource allocation, it is expected to be accompanied by a higher degree of competition. In 2010, four new banking licenses were granted, and none of them is foreign bank. In recent years, Myanmar has allowed foreign banks' representatives to open their offices in Myanmar; however, it has still not granted them the licenses of operation which would allow them to engage in their normal banking activities. It is believed that opening up the financial sector to foreign banks will break up the oligopolistic banking structure in Myanmar. This view is not rejected. Instead, it is to give a note on the events of new

domestic banks' operations have considerable reductions on some of the banks in the country. This shows that public's engagements with banking activities have not increased.

In addition, the lack of proper infrastructure, outdated laws and regulations will not only hamper the foreign banks but also the domestic banks. In worst cases, it can cause the collapse of domestic banks. Myanmar is still lack with those who have professional expertise not only at lower level bank staffs but also at mid-level managers. Most of the people at these banks are retired banking professions from the government institutions such as CBM, new generation of banking professionals are needed to be created in order to foster Myanmar's banking sector development.

7.4.2.6 Contributions to Banking Industry and Change Management Practice

Recent years, regulators in all over the world have realised the need for institutional reform either due to financial crisis, e.g. in Western nations or political reform, e.g. in Myanmar. These changes require institutional formation, institutional development, deinstitutionalisation and reinstitutionalisation (Jepperson, 1991). Hence, the understandings of mechanisms of interplay between organisations and institutions are needed. Though this study is focused only on Myanmar banking system, it should also be noted that it represents the simplest form of financial structure. Thus, it gives the basic framework for investigating those mechanisms in other institutional context. This can be further modified to suit the context being studied.

This process of interplay gives a framework for the steps which are needed to be taken in order to implement successful practices. For instance, tight regulations have always been considered as the most desirable factor to maintain banking system stability. However, resistance to these pressures from regulative institutions by banks in Myanmar's highly bureaucratised banking structure creates doubts on the effectiveness of strict rules and regulations. Similar to the credit rating agencies in the developed countries, value

appraisers have the most control over the banks' decisions to approve loan applications. In other words, this shows that there are power shifts and a controlling institution is always created any type of environments whether they are liberalised or bureaucratised.

These results in bribing by the borrowers to the value appraisers to increase their collateral values to get larger loan sizes. This might not create any problem if the housing prices continue to rise, but if these prices begin to fall, similar incident that happened in 2008 financial crisis due to the overreliance on collaterals can occur in Myanmar. These regulations also hamper the economic growth of the country by restricting businesses without collaterals from gaining financial assistance by the banks. All in all, this study provides the fact that strict regulations are not always desirable as it can have shifts in power from one institution to another, thereby inducing adverse effects.

7.4.2.7 Businesses

Indeed, banks are important sources of finance businesses in Myanmar, especially large ones or those with collaterals. This is due to the fact that businesses without collaterals cannot obtain loans from the banks. This is the requirement determined by CBM and not by the banks themselves. Therefore, in this section, the focus will exclude small and start-up businesses which cannot provide collaterals.

Firstly, the findings suggest that various criteria are used to determine credibility of loan applicants, however, these standards and the requirements are found to be the same because they are set by the regulatory authorities, which are imposed on the banks by coercive pressures. Therefore, the rejections should be anticipated if the borrowers have no collateral. Secondly, the interest rates charged on the loans will be the same unless they fall under certain categories such as industrial category, where the government has guideline to provide lower interest rate than normal ceilings. Thirdly, borrowers should be familiar with the banks that they are approaching as different banks have different

sectors that are considered to be risky, therefore, they will have to be check whether their types of businesses falls under the banks' restrictive category.

Fourthly, as banks cannot change the interest rate caps and can only play on the loan size provided on the percentage of the collateral values, borrowers can only choose the banks which are willing to give larger loans. Thus, business owners must maintain close relationships with their bans. Unlike the other studies done in different contexts, where the closer the relationship between banks and borrowers, the cheaper the bank financing becomes (Petersen and Rajan, 1995, Berger and Udell, 1995), in Myanmar, the closer relationship can provide the borrowers with larger loan sizes. Yet, it still depends on the prospects of their businesses.

For the financial liberalisation to be successful, the changes of the regulations should be passed over to the consumers and businesses. During ICIRD conference in July 2012, there was a presented by the fisheries department. Despite of the CBM having reduced the interest rate by two percent in the late 2011, these cuts have not been passed down to the fisheries farmers. It is not clear whether the banks or the businesses are not passing down to them. The government should make sure that their changes in the regulatory policies are passed down to the respective stakeholders. Only then, they could prevent inflation and boost the economy. They should also need to keep in mind that the changes are not for the banks and larger businesses to make profit only. In summary, business owners should be aware that banks in Myanmar view collaterals as liquidation purpose in case borrowers' default and not with the view of analysing borrowers' commitments in the business irrespective of the relationship with the banks. These two methods are referred to as 'gone concern' and 'going concern' approaches respectively.

7.4.2.8 Contributions to Understanding Organisational Culture

Many of the researchers have generalised their findings in Asian continents as Asian culture, however, these studies have omitted "Myanmar" in their samples. For instance, Rarick and Nickerson (2006) provide cultural assessment of Myanmar, which is not included in the Hofstede data set[14](Hofstede, 1984) where out of 39 countries studied, only eight of them are Asian countries; in addition, they can be categorised as either developing or developed nations. They have found very unique characteristics, which are very different from the countries in the same Southeast Asian region, Thailand and Singapore. It has lower power distance, masculinity, lower long-term orientation; and higher uncertainty avoidance and individualism than those two countries. Through this study, it has also contributed to the understanding of organisational culture in Myanmar.

7.4.3 Methodological Implications

This research provides the needs for developments in Asian epistemologies. Flexibility in conducting research is required if the western epistemologies are replicated in Asian countries where long tradition of power and bureaucracy plays an important role in communication, organisational management and practices. It has been recognised as the need for Asian societies such as Japan, China, Taiwan and South Korea which have Confucius traditions, and also for the Philippines and India by Liu (2011). However, the need for the same consideration in Myanmar has not been recognised. This might be due to the limited research being done in the country with regard to sensitive issues. The protocols of Western methodologies view of conducting interviews and surveys seem to be a time consuming process but not consider them to be affected by the participants' cultural values and beliefs in responding. Having trained as a researcher in this kind of context and replicating the same methodology in Myanmar has given me a hard time

[14] The study includes eight Asian countries out of 39 being studied namely, Philippines, India, Singapore, Hong Kong, Thailand, Iran, Pakistan and Japan

obtaining respondents, gathering information and conducting interviews. This is when the need for recognising cultural issues comes into play in the researcher's data collection process.

Myanmar is a unique context to conduct research due to the lack of transparency by the government, reliability and validity of the data published being questionable and the role played by bureaucracy at national and organisational levels. The origins of theories and practices in research methodologies in social sciences can be traced back to the Western Countries. The replicability of these practices in research methodology in Asian context, in Myanmar, requires flexibility with chosen research methodology. In other words, adapting the method depending on the context is needed if the desired data or information is to be obtained. In this research, culture and familiarity with the context play an important role for researcher in developing theoretical framework and choosing appropriate research instruments for collecting data. This adaptation also led the researcher to choose critical realist epistemology over the social constructionist's. Moreover, in conducting this research culture is intrinsically embedded by the researcher when interacting with the interviewees. This can be done due to the researcher's familiarity with the context.

In summary, as researchers, conducting research in Asian context should recognise that human interactions as being mediated by cultural concepts and layers of institutions of societal governance and either qualitative or quantitative methodologies should be treated as methods of inquiry but not as gathering actual information. These methodologies have their own strengths, for instance, qualitative research is able to answer the 'why' and 'how' questions of a phenomenon while quantitative method gives answers to 'what', 'how much', 'how many', and other statistics and causal related questions. Yet, none of them solve the issue of controlling the influence of cultural contingency in conducting research and obtaining information. Thus, the methodological contribution of this

research is the need for recognising culture in different levels of research process as necessary.

7.5 Conclusions

In summary, this chapter discussed how ownership structures played an important role in the means by which banks were institutionalised and responded to those institutional pressures. It also highlighted the contributions that it made to knowledge, literature, theory, practice and methodology. The following Chapter 8 will summarise the overall thesis through revisiting the research and suggest future research.

Chapter Eight: Conclusions

8.1 Introduction

This final chapter provides a summary discussion of the findings produced by this study. First, the research aim and objectives are reviewed and the research process is reflected. This is followed by a discussion on the theoretical contributions and practical implication. Finally, limitations and suggestions for future research are presented.

8.2 Reflections on the Research

The aim of studying the interplay between banks and institutions are achieved using two theories. Therefore, in this section, the role of theories in conducting this research following by the methodological used in achieving the aim and summary of results and findings are given below.

8.2.1 Research Questions

As there is a general lack of forming banks' lending practices through studying from sociological perspective and their formations from banks and institutions, it is required to develop a framework which will guide the researcher. Therefore, though there are three research questions, the first one act as guidance for the other questions. They are:

RQ1: How are banks' lending practices influenced and what sources influence them?

RQ2: How do banks respond to these pressures?

RQ3: How do these pressures play in banks' risk assessments?

RQ4: How do their chosen strategies affect the end outcome, legitimacy or efficiency?

8.2.2 Role of Theories in Achieving the Aim and Objectives of the Research

Due to the nature of the research, which has been discussed before, two theoretical perspectives are utilised to catch both convergent and divergent perspectives. No one theory can provide a complete picture. Despite of using two theories, such as institutional theory and Oliver's strategic responses, I would like to stress that the framework develop from these are used as a guide to remain flexible to allow new factors or themes to emerge from interview data. Detailed descriptions of findings and discussions are provided in chapter five and six respectively. Institutional theory provides legitimacy and Oliver's strategic responses to institutional pressures is based on banks' efficiency criteria, for instance, profitability.

8.2.3 Research Methodology and Methods

12 banks out of 19 banks which meet the research criteria and requirements participated in this study through 14 interviews in all. The primary method of data collection is in-depth semi-structured interviews which are taken place at the participants' respective banks. Other data are collected through reviewing annual reports, CBM data, online databases such as IMF and World Bank, and organisational documents. However, due to the confidentiality issues, not all of the annual reports and documents for all banks are able to be obtained. Instead, the researcher has traded off these limitations in conducting interviews.

The collected interview transcripts are then coded by using Hybrid approach, a combination of manual and electronic coding. The former enhances the research to become familiar with the data while the latter helps in organising and presenting complex

data. The process of coding data involves two main steps. They are assigning themes and allocating these themes to their respective categories derived from theoretical framework. Those falls outside the theoretical framework are coded as emerging categories which complement the entire framework. After reviewing and revising the coding, results and findings are provided.

8.2.4 Research Process

After conducting the research, it is good to reflect on the process of how the research has been done. As a reader, from the thesis structure, it seems as the research is conducted in a linear process: theory, method, data, and analysis followed sequentially. However, the research is an evolving process, going back and forth with data, theory, literature and method. Thus, for the replicability criteria of the research, it is needed to provide the detail research process for those who may want to undertake a similar experience or research. This will also give the reader to understand the researcher's journey in conducting the research.

This thesis starts with the notion that banks' risk management in lending process is based on socially constructed values and beliefs. This notion comes primarily from reading Lane and Quack (2002) who have advocated to study contextual approach in studying banks' lending behaviour. Their research context is in Britain and Germany. They have shown that these two countries have different lending behaviour due to differences in institutional structure. Their studies have some limitations. Though it uses sociological approach, it has not studied the interplays between banks and institutions and no clear framework has been developed for future research. It uses a very generic approach with no solid theoretical underpinnings. However, it is interesting to find lending behaviour in different institutional context because even banks in the same European context which are developed and liberalised nations with established capital market, have two different

types of lending approach. It creates a curiosity on how banks' lending behaviour might be in the context of underdeveloped and bureaucratised nation with no capital market. At the same time, financial crisis in the world has caused regulators around the world to call for tighter regulations. Nevertheless, the effectiveness of tighter regulations has not been researched yet because it has not been implemented. Thus, Myanmar has been chosen for being a unique context which meets the criteria to conduct the research. At first, the researcher was being reluctant to conduct research in this country as it has been well-known for the bureaucratic style working environment and no reliable information would be obtained. Its opaque nature also is another reason for having less research on the Myanmar's banking system. There are many conceptual papers about it but no empirical study has been done, let alone to find papers that study institutional interplay.

Nonetheless, after contacting a director at the Central Bank of Myanmar, the researcher had to opportunities to interview higher level management of 12 banks who were involved in lending policies making for their respective banks. Before conducting the research, like many people, it was perceived that due to its simple financial structure, things would be very straightforward as there was only one directional control, Government, and were coerced by different means to do what institutions expect them to do. From the first stage of data collection, the need for studying another direction of institutionalisation process as patterns of banks' resistance to these pressures emerged. It was also believed that the institutional pressure would only be coercive.

The data was collected in two stages taken place in two years, 2010 and 2011. This type of study was also supported by many researchers as it is a form of triangulation method conducting in two period of time. During these periods, the changes in banking regulatory policies with the change in government structure in the country also facilitates the researcher to observe another dimension of legitimacy not only from institutions but also from banks. Thus, the research is able to contributions on theory, literature and practice.

8.3 Lessons Learned

The main lesson learned from this thesis is the inefficiency and ineffectiveness of tight regulations. Due to the government repressions for a long period of time, it has been perceived that the conformity to institutional pressures would be found. However, after observing the findings, these are some of the misconceptions. With banks' management structure comprises of some political affiliations, there are different intensity of institutional pressures and the tactics used by the banks to respond to these pressures depend on their ownership structures. Hence, the potential consequences of such restrictions are on borrowers and businesses but not on banks as they have the capabilities of increasing profitability and efficiency under the tight regulatory environment and putting on the façade of conformity.

The country's bureaucratic governance structure has also influenced the organisational culture and human resource development. When the culture is considered as a problem, it needs different perspective for diagnosing problems, for instance, banking sector development. Prior research done in economics, banking and finance have long been associated with mathematical models to identify conditions for economic growth and little or no emphasis has been given to human emancipation, restraining and resisting constraints imposed on them. Idealising and implementing the techniques and processes to follow western countries' route to development in developing countries which have different culture and established mind-set from long period of working under controlling environment need prudent care. In other words, this study suggests that institutional approach is needed to be considered in change management practice, i.e. looking for alternative that encourage cooperation and coordination of the banks in development.

8.4 Key Contributions to Knowledge

This research has made some key contributions to knowledge in terms of theory, literature and practical.

8.4.1 Contribution to Theory

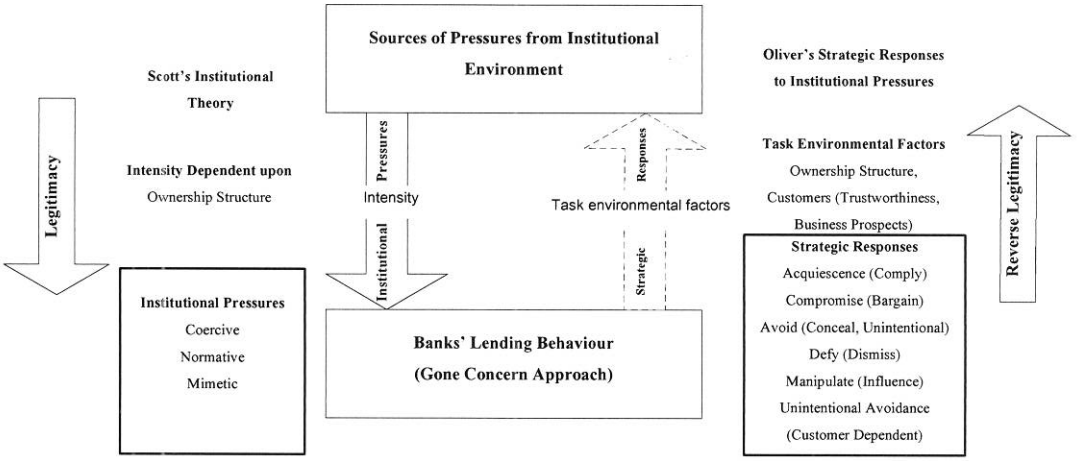

Figure 8-1: Summary of Findings with the Framework of Institutionalisation Process of Banks' Lending Practices in the Context of Myanmar

Theoretical Implications for Institutional Theory and Oliver's Strategic Response to Institutional Pressures are provided in their respective chapters, Chapter 6 and Chapter 7. In this section, theoretical contribution as the overall framework will be provided. Theoretical framework was first developed to guide the researcher in the research process; therefore, some of the themes emerging outside the framework add contributions to the theory. Some of the theoretical implications are:

- **The greater the coercive pressures, the role of normative and cognitive pressures diminish. Similarly, sources of coercive pressure have effects on sources of normative and cognitive pressures. Coercive pressures can itself can cause homogeneities in lending practices** – Most of the research papers using institutional theory to study a phenomenon usually isolate 'pressures' as independent entities and their association with sources from which these pressures are emitted are only vaguely explained. However, in discussing institutional theory related research, the sources should be explained in detail as the degree of authority each source has on organisations, in this case, banks, can have impacts on normative and cognitive pressures. From the findings, the authority emitting coercive pressures is government, whose regime has been in power for significant amount of time. This in turn influences normative pressures, products of corporate and management culture, and banking associations. Due to the high intensity level of coercive pressures, homogeneity in lending practices are created by the CBM itself.

- **The intensity of institutional pressures is dependent upon the banks' ownership structures creating 'heterogenetic legitimacy'** – According to institutional theory, homogeneities in organisations operating in the same institutional environment can be found. However, it does not recognise the varying degree of institutional pressures on organisations. For example, the findings suggest that there are institutional pressures are high on private banks compared to other banks to conform to regulatory requirements. On the other hand, government related banks have higher degree of pressures to allocate credit for developmental purpose. Therefore, intensity levels of institutional pressures are dependent upon organisational structure and 'heterogenetic legitimacy' is formed.

- **Similar to institutional pressures, banks' strategic responses to these pressures are contingent upon task environmental factors, such as business prospects** — Banks' non-conformity to institutional pressures is dependent upon task environmental factors such as borrower's business prospects, affiliations, etc.

- **Under tight regulatory environment, banks' collectively exercise 'manipulative' strategic response to create 'reverse legitimacy'** – Under the highly regulated environment, strategic responses to institutional pressures range from acquiescence to compromise only. Collectively, banks try to shape values and criteria through manipulations while conforming. They are term as banks' passive responses to institutional pressures, i.e. to alter the nature of demands in a manner that is acceptable to the action and the institutional agent. Through this process, 'reverse legitimacy' can be created. This is captured from the interviews with the banks in 2010 and the regulatory policy changes in 2011, i.e. banks are allowed to take commodities as collaterals which they were only restricted to take land and property.

- **Unintentional Avoidance** – banks have the pressures to lend to industrial businesses at lower interest rate, however, these types of customers do not apply loans from the private banks but from the government banks, this creates the banks having less or no borrowers of these types.

The above two points are the theoretical contributions for institutional theory and the rest are for Oliver's strategic responses. The framework developed in this research can be used to study in other industries or countries with different institutional context.

8.4.2 Contributions to Banking Literature

The research's contributions to banking literature can be summarised in three parts. First of all, the taxonomy that was created using two sociological theories, institutional theory and Oliver's strategic responses to institutional pressures, for banks' lending behaviour will provide a better understanding on what sources can influence them. Thereby, it will provide a better solution and guideline for banks and policy makers to understand how these practices can be changed.

Secondly, during the literature review in chapter 2, studies in banking had been dominated by statistical measurements based on prior literature. Hence, these research papers did not explore new factors but rather focuses on the significances of their relationships with banks' lending practices with the assumptions of rationality. Through qualitative study in this research, I was able to identify other factors and how they could influence banks.

Thirdly, no research paper has been found in regard to banks' lending to businesses in Myanmar where bureaucracy plays a dominant role in allocation of financial resources. Therefore, this research paper would contribute not only banks' lending literature but also for Myanmar studies.

8.4.3 Contribution to Practice

This research contributes not only to theories and literature but also to practice. The findings suggest that different sources of pressures that could shape both banks' lending practices and the industry as a whole. It allowed the policy makers to recognise the starting point if the changes were to be made in the financial sector. In other words, it contributes to the change management practice, economic development and banking sector liberalisation procedures. The findings can also be extended to sustainability

development in Myanmar through banking sector. Detailed explanations were presented in chapter 6.

8.5 Future Research

There are some limitations in this thesis that may provide a path for future research. One is the results being unable to test out the propositions that were presented in chapter 6. This is due to the limited number of banks operating in the country and the difficulties in accessing the right person for the interviews. Secondly, if the research could provide international comparison with banks in Singapore or in the same region, the findings could provide the readers with the extent of different sources of pressures in shaping banks' practices were different in Myanmar. Thirdly, if the researcher was able to provide the reader on how businesses in Myanmar were affected by the lack of banking industry development, it would be able to provide how the policy makers could enhance the business and banking sector developments for economic sustainability.

As this is an exploratory study, there are some areas in which future research can be conducted. The following are some examples of future study that could begin from this research.

8.5.1 To Test the Propositions

There appear to be some forms of support of the findings with quantitative data. Some of the findings from this research can be formed into testable hypotheses. They can be tested using more quantitative techniques such as econometric analyses. This will be able to provide 'generalisability' to the reader. However, due to the data availability, this process might be somehow difficult to do so. They can also be replicated by consecutive qualitative testing. The propositions were provided in chapter 6.

8.5.2 Comparison between Pre and Post Reforms or International Comparison

As the country is undergoing a significant reform after many years, this research has captured the banks' lending practices, their attitudes and perceptions of risks, therefore, future research can be done based on the before and after changes in these areas by banks after the reform. This will enhance the framework on the interplay between banks and institutions in policy making, thereby enhancing policy making.

The study of banks' lending behaviour is not a new research theme, where many other research papers can be found for developed and emerging economies. Therefore, cross-national studies can also be done. They are particularly important as evidence can suggest the varying degree and type of institutions have on the banks' formation of lending practices. As Myanmar has opened up its economy from isolation, internationalisation will have effects on banks. Through comparative studies, it can answer an interesting question of how banks in different countries respond differently to institutional pressures and attain legitimacy while obtaining efficiency. Such kinds of studies will give additional and complementary knowledge to the research on banks' lending behaviour. This will also enable to provide more complete understanding of banks and institutions' interplays.

Such kinds of studies can also further test the applicability of the developed framework in different institutional and cultural context. Moreover, it could be instrumental in expanding the richness of the framework in contexts such as Europe and US to identify the weaknesses in institutional pressures on banks which led to crises.

8.5.3 Triangulations with Further Studies from Businesses Perspective

This study has taken from the banks' point of view in which they make decisions to accept or reject loan applications. It would create an interesting project to observe the

requirements imposed on businesses by the banks. In other words, indirect effects passed on to the borrowers by regulatory authorities through the banks and their responses to these requirements, especially their relationships with their value appraisals. The results from this study can allow the researcher to triangulate the findings with the current study and will give the complete picture of the whole phenomenon by which institutions can have direct and indirect effects on businesses.

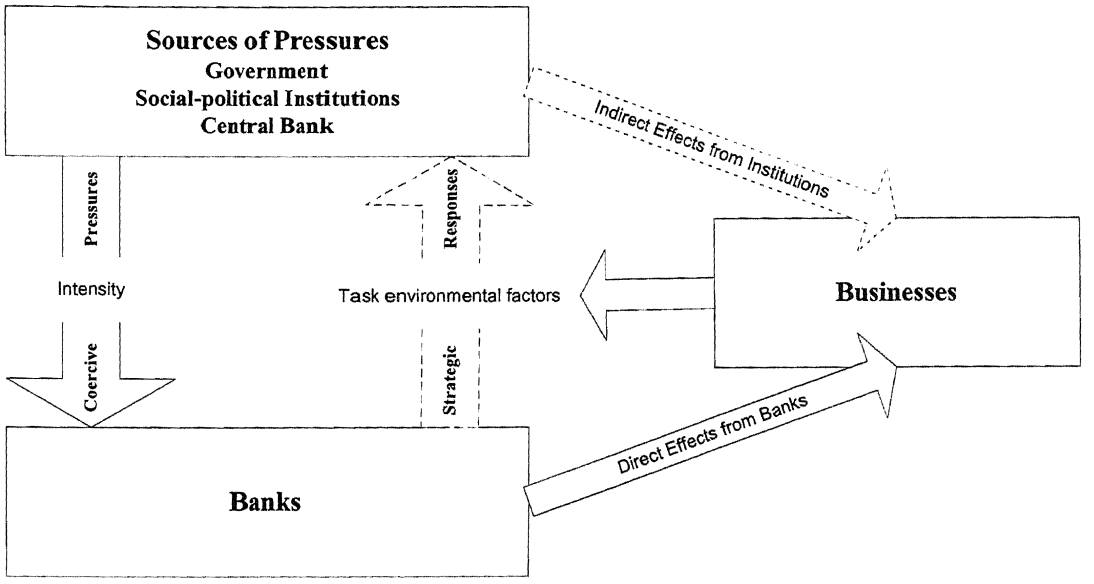

Figure 8-2: Future Research Directions

Future research can also focus on entrepreneurial side of general public by investigating people's willingness to start businesses if the banks are able to provide them with loans. Another potential research project could be the further investigation on relationships between loans officers and businesses. As it is has been identified by the banks' management as bribing at the lower level being an issue, the research on the process by which businesses interact with them will make a good research project. However, to study from these value appraisers will be quite challenging as bribing is a sensitive issue which can have serious consequences.

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Appendices

Appendix 1: Interview Request Letter

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Dear Sir or Madam,

Subject: A Request for Arrangement of an Interview

My name is Sandar Win, a PhD student from the University of Bedfordshire. My research area is to study how banks lend to businesses. The objective of my study is to compare the lending behaviour of banks in different countries and to explore the differences in perceptions of risks in the assessments of credit loan applications.

I have selected your esteemed bank as part of my PhD research because of its reputation of being one of Myanmar's long established local banks providing financial services to businesses across the country. It would be a great opportunity for me if you can participate in my research. This will allow us to understand how risks are perceived and mitigated differently in different countries and how it can be regulated efficiently and effectively while reducing the costs of lending and taking precautions of possible credit risks.

I would be very grateful if you could participate as part of my research study. Your support will be highly appreciated and please do not hesitate to contact me, should you require further information. I look forward to hearing from you. In addition, a request for confidentiality will be respected.

Yours Faithfully,

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Appendix 2: Translated Interview Questions Guide

Loan Allocation

1. In your bank, when do businesses apply for loans? (for example, start-up or on-going)
ကျွန်ုပ်မင်းဆိုဘဏ်တွင်စီးပွားရေးလုပ်ငန်းများသစုပ်မစုပ်သစုပ်အချိန်တွင်ငွေချေးကြပါသလဲ။
(ဥပမာ-လုပ်ငန်းစတင်ချိန်တွင်ငွေချေးကြပါသလား (သို့) လစုပ်ပတ်နေချိန်တွင်ငွေချေးတတ်ပါသလား။)

2. When do you think that it is the most important for businesses to apply for loans?
စီးပွားရေးလုပ်ငန်းများအနေဖြင့်ငွေချေးရန်အလိုအပ်ဆုံးအချိန်သစုပ်မစုပ်သစုပ်အချိန်ဟု ထင်မြင်ယူဆပါသလဲ။

3. Does the bank differentiate businesses into sectors? On what basis do you break them up?
ဘဏ်အနေဖြင့်စီးပွားရေးလုပ်ငန်းများကိုကဏ္ဍနှဲ့ခွဲခြားပါသလဲ။ ခွဲခြားပါကမစုပ်သစုပ်အခြေခံပေါ်မူတစုပ်စွဲခြားပါသလဲ။

4. Do you regard any of these sectors more important than the other? If so, what are the reasons for this? Which type of businesses do you lend the most?
မစုပ်သစုပ်စီးပွားရေးကဏ္ဍကိုအရေးကြီးသစုပ်ဟုသတ်မှတ်ပါသလဲ။ မစုပ်သစုပ်အကြောင်းကြောင့်ပါသလဲ။ မစုပ်သစုပ်စီးပွားရေးကိုပိုပြီးချေးဖြစ်ပါသလဲ။

5. Does the bank decline to support certain sectors, for example, industry, services or other? Why?
ဘဏ်ကငွေမချေးသစုပ်စီးပွားရေးကဏ္ဍများဖြစ်ပါသလား။ ဘာကြောင့်ပါလဲ။

6. What sorts of documentations are required for businesses to apply?
စီးပွားရေးလုပ်ငန်းတစ်ခုအနေဖြင့်ငွေချေးယူလိုပါကမစုပ်သစုပ်အထောက်အထားစာရွက်စာတမ်းများလိုအပ်ပါသလဲ။

7. What are the pre-screening criteria for banks to reject applications in which you would automatically reject applications? If so, could you elaborate and give some examples?

ကြိုတင်သတ်မှတ်ထား သရုပ်မည်သည့်အချက်အလက်များကို မူတည်ပြီး လျှောက်လွှာများ ငြင်းပယ်ပါသလဲ။

8. What is the maximum amount of credit that individual loan applicants can get? How does the bank deal with firms that require large amount of credits that exceed limit of the team or individual?

စီးပွားရေးလုပ်ငန်းတစ်ခုပေါင်းများ၏ မည်သို့ပြဿနာ ပေါ်ပေါက်သည်၊ ကုမ္ပဏီသက်ဆိုင်သော ပမာဏထက် ကျော်လွန်၍ လုပ်ကိုင်သည့် စီးပွားရေးလုပ်ငန်းများ တို့မည်သို့ကိုင်တွယ်ကြောင်း ပါသလဲ။

9. How are the data protected? Is that an internal or external policy?

ဒေတာ၏ လုံခြုံရေးကို ဘယ်လိုအတွင်းပိုင်းသိမ်းဆည်းကြောင်းပါသလဲ၊ ပြင်ပတွင်းက မူဝါဒလား ဆိုတဲ့အကြောင်းပြန်ပြောပေးပါ။

10. Does the bank have other external pressures that it has to lend to certain types borrowers and business sectors?
(Will be questioned in different ways depending on the interviewees and the circumstances)

မည်သည့် ကိုယ်ခွဲခြားပေးဝေမည် ဆိုတဲ့ စီးပွားရေးဆက်ဆံရေးတွေကို ခွဲခြားရေးဂုဏ်ပြုမည်ဟု ပြင်ပဖိအားပေးမှုများ ရှိပါသလား။ နည်းနည်းလောက် ရှင်းပြပေးပါ။

11. How does the bank market credit for businesses? Is there any government legislation regulatory requirements or requirements that require the bank to encourage business growth? Could you expand on these areas?

ဘဏ်တိုက် စီးပွားရေးလုပ်ငန်းများအား ခွဲခြားမည်ဖြစ်ကြောင်း၊ မည်သည့်ကြေးကြေးခြင်း ပေါ်ပေါ်ပေးခြင်းပြုပါသလဲ။ ဘဏ်မှ များအနေဖြင့် စီးပွားရေးလုပ်ငန်းတိုးတက်မှု၊ ကြီးထွားမှုကို အားပေးရေးကဲ့သို့ဥပဒေဆိုင်ရာ လိုအပ်ချက် များ ရှိပါသလား။ စီးပွားရေးလုပ်ငန်းနယ်ပယ်အားလုံးကို ပါဝင်ဆောင်ရွက်ပါသလား,

Loan Specifications

1. Does the bank have minimum premium charge / service charge on a loan? Can you override the standard or is it strictly regulated?

အတိုးနှုန်းထားဘယ်လောက်သတ်မှတ်ထားပါသလဲ။ ဒီ rates နဲ့ charge တွေကို service charge
အလျင်းသင့်သလို့ပြောင်းလဲနိုင်ပါသလား(သို့)သတ်မှတ်ထားတဲ့အတိုင်းပဲလား

2. Are you allowed to increase or decrease the interest premium and service charge if you think the targets set by the bank may be high for the loan applicants?

3. Does the bank consider personal decisions of loan officers?

ငွေချေးအရာရှိများ၏ထင်မြင်ပရုဆချက်များကိုဘဏ်ကဆုပ်သွင်းစဉ်းစားပါသလား။

4. Are there any reward systems for staffs? If so, how do you reward them?

ငွေချေးပေးနိုင်တဲ့အတွက်ဆုလာဒ်ပေးတာမျိုးရှိပါသလား။ ဘယ်လိုပေးအပ်ပါသလဲ။

5. Do you have any independent investigators or other externals to verify the credibility of loan applicants?

loan officers မပဲရက်ပဲ တခြားပြင်ပအထောက်အထားများကိုသုံး၍ ငွေချေးသူရဲ့ ယုံကြည်စိတ်ချရမှုကိုဆုံးဖြတ်ပါသလဲ။

ချေးငွေထုတ်လုပ်ခြင်းဥပဒေနှင့် ဌာနတွင်း မူဝါဒများ
Methods of Allocation and Internal Policies

1. What information should the borrower bring with them at the initial stages of the interview? Is it documentary evidence, history, or bank statements - can you elaborate on the particular bank's practices?

ငွေချေးယူရန်ပထမဆုံးဘဏ်အတွင်းရှိဝန်ထမ်းတွေ့ဆုံသည့်အခါငွေချေးယူမည်သူမှာဘာတွေပြင်
ဆင်သည့်အချက်အလက်များကိုတင်ပါတဉ်းယူဆောင်ရပါသလဲ။ ဥပမာ - ဘဏ်စာရင်းကြီးတမ်း၊
မိုးမှုးရေးလုပ်ငန်းဆိုင်းရာသည့်စာရွက်စာတမ်းအထောက်အထား များ ယင်းကိစ္စနှင့်
ပတ်သက်သည့် ဘဏ်၏လုပ်ထုံးလုပ်နည်းကိုသိပါရစေ။

2. How do you determine if the information obtained through evidence is factual? Can false documentation arise at initial stages - do you have a filtering policy, or do you accept documents at face value? What instances have loans for development or investments have been turned down because of limited information? If so, could you elaborate?

ငွေချေးရယူကာလေ:သည့်အချက်အလက်များမှန်ကန်ကြောင်းမည်သို့ဆုံးဖြတ်ပါသလဲ ၊
သတင်းအချက်အလက် မလုံလောက်ရိုးသားမှုမရှိပဲ ပယ်ခဲ့သောချေးငွေလျှောက်ထား ဒုတိယကိုသိပါရစေ။

3. Does the bank stick to locality or can anyone from any locality walk into the bank and apply for credit? Do you have referral policy to keep businesses in a regional or segmented location?

ငွေချေး:သည့်အခါဧရိယာတိုင်းပြုတာ:ဖြစ်ပါသလား:။ မည်သည့်လုပ်ငန်းမှမိုးမှုရေးလုပ်ငန်းကို
မဆိုငွေချေးပါသလား:။ ဥပမာ- ရန်ကုန်ဗဟိုမိုးပွားလုပ်ငန်းအတွက်ဖုံးမနှင့်လေးမှာချေးပဲ ဂုဏ်ကျော်
ဝန်းလာ မှာသာချေးတာ ချိုးကပ်ခံတာမျိုးဖြစ်ပါသလား:။

4. Does the bank have to compete for business with sister branches, or is there a policy which keeps business banking local?

ဘဏ်တွဲမှာရှင်းချင်းမြင်ဆိုင်ရာတာမျိုးဖြစ်ပါသလား: (ဥပမာ) သတင်းဆိုင်ရာဧရိယာမောင်းမှုတာရှုပ်ရှိ
သူ့ဆီရောင်းမှုနှင်းချက်အတွင်း:ဆောင်ရွက်စေပါသလား:။

5. Does the bank use internal guidelines, or are the guidelines driven externally or centrally - could you expand if this is the case?
ဘဏ်တွင်းဂေါ်လီဒွန်းများ (guidelines)သည်ထားပြီးကျင့်သုံးကာတွင်ယင်းဂေါ်လီ ဒွန်းများကိုဖြင့်ပေ့ (သို့)စေလိုချင်ကြောင်းဖြင့်ကျင့်သုံးပါသလား။

6. What is tax rate?

7. Do you change some of the internal policy guidelines for some of the borrowers? What are they?
ဘဏ်တွင်းလမ်းညွှန်ချက်ဟာချို့.ကိုလျော့ပေါ်ဖြစ်ဟာချို့.ခွဲချေးသူများဟာတွက်ချေးပါသလား. (ဥပမာ-industry အလိုက်၊ 15% ထားတာချို့.၊ အပေါ်တစ်ဝက်ပယ်ထားလေပေါ့ဟုဆိုကောင်းလည်း ချေးတာချို့.)

Process Symbols (လုပ်ငန်းစဉ်သင်္ကေတများ)

1. Does the bank have teams which are organized and which aim towards the overall bank's aim, for example, does the bank have objective meetings? Do you personally agree or disagree with some policies?
ဘဏ်၏ဂေါ်ပိုရိတ်ချက်ပြည့်မှီရေးဆောင်ရွက်ဘဏ်သားအုပ်စုများ:ဥပမာ-ရည်ရွယ်ချက်ရှိသော လုပ်ပါသလား။ လူကြီးမင်းတစ်ဦးတည်း:ဟုရေဖြင့်ဆဝေတောဝူ(သို့)ဆဝူ သည့်ရှုထောင့်များ:ကိုပါသလား:"

2. Can you make personal judgments, a feeling about something, say you simply have a hunch about the borrower, do you decide personally? Alternatively, are there procedures, documentation to stop your views influencing this process?
ဥပမာ-ခွဲချေးသူတစ်ယောက်ကိုမြင်ပြီးဘယ်လိုခံစားချက်ရှိသလဲ ဆိုပြီး ကိုယ်တိုင်ဆုံးဖြတ်ချက်ချပါသလား။ (သို့)ဒုတိယတွင်ထားတဲ့policy မကြိုက်ညီတဲ့ဘက်ထဲကနေ ပြောပို့ပါသလား။

3. Is there conflict amongst the employees? ဌေးချေးလုပ်ငန်း:များ:လုပ်ဆောင်ကာတွင်တစ်ဦး:နှင့်တစ်ဦး: အပြန်အလှန်တာချို့.ရှိပါသလား။ ရှိပါတယ်ဆိုရင်ပြောပါသလား။

ငွေချေးယူပင်နှိုးဆော်ခြင်းတာတော်၏ရည်ရွယ်ချက်နှင့်ချက်နှစ်ခုကိုအခြေခံပြီးငွေချေးခြင်းလုပ်ငန်းစဉ်ကို ဘယ်လိုရှင်းပြနိုင်ပါသလား။

4. How would you describe the process of lending in terms of the banks' desires and aims?

→

Examination of the Process of Preference and Identification of Lenders

1. How do you identify risky borrowers? Does the bank have pre-determination of sifting risky borrowers? If so, what does the bank do to identify the risk?
ဘဏ်အာဝဇာနည်းပါးဆုံးဖြုံးခြင်းလုပ်ငန်းရှိပေါ်တွင် ဘဏ်တော်သည် ဘယ်လိုအကန့်အသတ်များ ထားရှိထားပါသလဲ။

2. Do you have predetermined amount allocated for lending? If this is the case, how do you discriminate between borrowers, are there any internal policies for identification? Could you elaborate?
ထုတ်ချေးသည့်ငွေပမာဏကိုကြိုတင်ရှာထားပါသလား။ ထိုဘဏ်ကျွေးထားပါကမည်သူ့ကိုငွေချေးမည် မချေးမည်ကိုမည်သို့သတ်မှတ်ပါသလဲ။ ဘဏ်တွင်း ရှိပါဖေးများကိုပါသလား။

3. How do you determine preference to existing account holders who wish to start their own business? *
ငွေချေးကုန်ကြမ်းဘဏ်မှဒေါလာတည်းက ထင်ပေါက်ကိုပြုသူ့ နှင့် ဖောင်ဒေးရှင်းကျောက်သုတေသီသူ ပြိုများပါသလဲ။ ဦးစားပေးတာကျိုးကြပါသလား။

4. How do you determine preference, do you for example prefer limited, organizations, proprietorships or others?
ငွေချေးထုတ်ပေးကုန်ကြင်မည်သည့်စည်းပြားရေးကျိုးကိုဦးစားပေးပါသလဲ။ ဥပမာ-မီးပွားရေး လုပ်ငန်း၊ ကိုယ်ပိုင်မီးပွားရေး?

ဘဏ်မှာ ထင်ပေါက်ကိုပြုသူတာဆုမှီးပွားရေးမယ်ဆိုရင်သူ့ကိုငွေချေးပြီးမှာလား။
မည်သည့်စာချက်အာလာကိုများကိုပါသလဲ။ ကျော်ကျော်ပေါ်ပေါ်နဲ့ ၊ ရေရယ်ကောလေးကလေးပေးပါသလား။

မပဉ်သက်ရဲ့နေ့စဉ် (သို့)အပတ်စဉ် (သို့)ပစဉ်စစ်ဆေးမှုဂြိုဟ်သလား။

5. Do you have the Central Bank's Daily, Weekly, or Monthly supervision?

6. Are there any sectors that the government favours? အစိုရက နှုဝေယလေးတဲ့စီးပွားရေးကဏ္ဍဂြိုဟ်သလား

Underlying Values

1. Are you able to exercise influence over credit allocation based on your personal values or do you follow the bank's culture (senior staffs, policies, etc)?
ငွေချေးထုတ်လေးတဲ့အစါဖြာနောက်ဆုံး ဆုံးဖြတ်ချက်ကဘယ်သူကဆုံးဖြတ်ပါသလဲ။

2. Are there any policies in place which exclude certain businesses on moral/ethical grounds? If so, what are they and why?

3. Do you change interest rates because you favour the sector or business?

4. If there is a new staff, are there any in-house inductions? What is the process?

5. Do you see the new banks as your competitor? Why?

Efficiency or Legitimacy

1. How do you feel about your bank' lending performance?

2. Do you think you will be able to lend more or to different sectors and different stages of businesses (eg. Start-ups) if you were able to set your own policies without much influence from external environment?

3. Are there any policies (both external and internal) that you think might be better off for the banks if they were changed? What are they and how do you think they could be changed?

4. Does 2006 financial crisis has any effect on the internal and external policies? If yes, how have they affected the lending policies? Do you prefer the policies before or after the crisis?

5. Do you think the interest rates set by the CB is high or low? Why?

6. What are the loan terms? (if not answered yet?)

Additional Questions

1. What do you think of microfinance? Would you participate? Why?

2. What do you think about the future prospects of lending?

3. In other countries, they have government guarantee schemes, would you be able to lend more if the government shares some risks?

4. Do you limit taking deposits? During the limitations, do you accept from any group of people? Why?

5. I heard that foreign business owners depositing money in Myanmar banks. Do you have these problems? If yes, how do you tackle these issues?

6. Do you mimick some of the practices of other banks if you think it might do good for your banks?

1. Do you also give unsecured overdrafts?

Which banks do you think will have similar internal policy with you?

. Do you negotiate interest rates and service charges with other banks?

ငွေချေးရန်ဖြေရှင်းထားသူတိုကိုငွေချေးမည်မချေးမှုဆိုသုံးဖြတ်ရာဆက်ခဲသည့်အခြေအနေနှင့်

When there is a conflict in whether to lend or not, what are the main drivers that lead to your final decision? ကြုံလျှင်နောက်ဆုံး decision ကို သာတွေပေါ်မှာရှုတည်ပြီးဆုံးဖြတ်ပါသလဲ။

If you decided to lend above or lower than the amount requested, what drives you to make that decision? ငွေတောင်းခံသည့်ပမာဏအထက်များ (ပြီးသို့) နည်း ပြီးငွေထုတ်ချေးခြင်းနှင့်ပတ်သက်၍ မည်သည့်အချက်အလက်များကိုရှုတည်ဆုံးဖြတ်ပါသလဲ။

What are the most important non-financial criteria do you think are the most important in lending to businesses?
စီးပွားရေးလုပ်ငန်းသို့ချေးငွေထုတ်ပေးရာတွင်ဘဏ္ဍာရေးနှင့်မဆက်နွယ်သည့်မည်သည့်အချက်အလက်များသည်အရေးကြီးသည်ပဉ်သတ်မှတ်ပါသလဲ။

What percentages of loans are driven by non-financial factors instead of financial factors?
collateral တို၊ FS တို့မပါပဲ _____ ဘဝတစ်ခုတည်းနဲ့ ငွေချေးတာမျိုးကြိပါသလား။

In policy making, how much are shareholders important?

Do you give regular trainings? What happen there?

A

Appendix 3: NVIVO Coding Process Explained

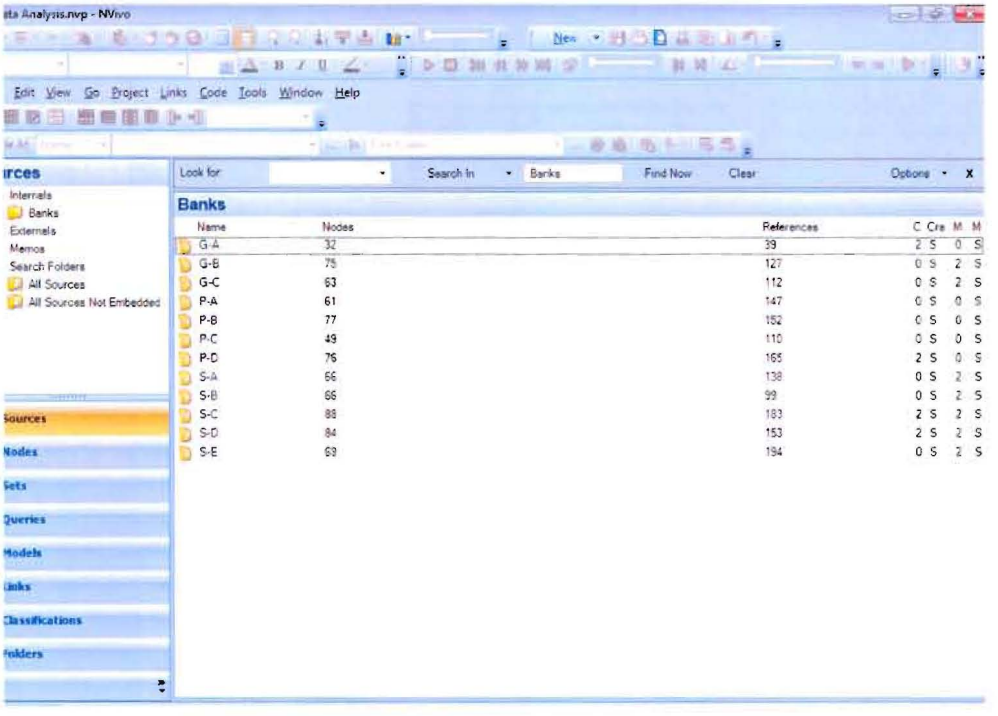

Figure A-1: Imported Interview Transcripts in NVIVO

The above diagram A-1 shows the interview transcripts being in NVIVO. It has helped the researcher in organising data. It shows the number of codes and references each interview transcript had. In manual coding, a significant amount of time was needed to be given to accomplish this task. Nodes in NVIVO represented the codes assigned in each source (interview transcripts). The references represented the number of quotes identified in the nodes. They could be identified as in the following Figure A-2

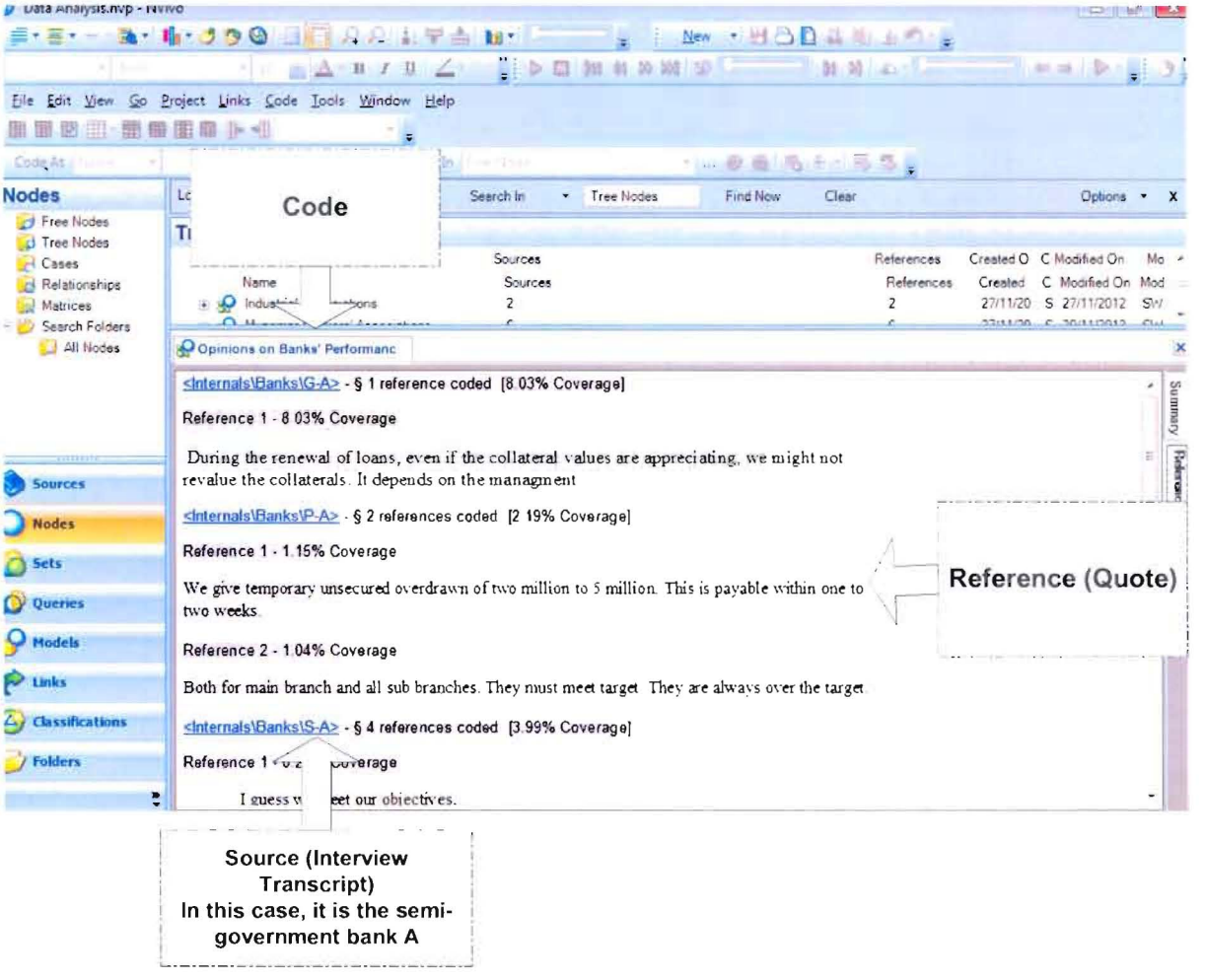

Figure A-2: Description of Codes, Sources and References in NVIVO

'Opinions on Banks' Performance' was part of the tree node coding in NVIVO (see Figure A-3). The diagram below shows some of the codes. Tree nodes were formed to create coding hierarchy. In this case, theoretical framework was the basis for the creation of coding structure.

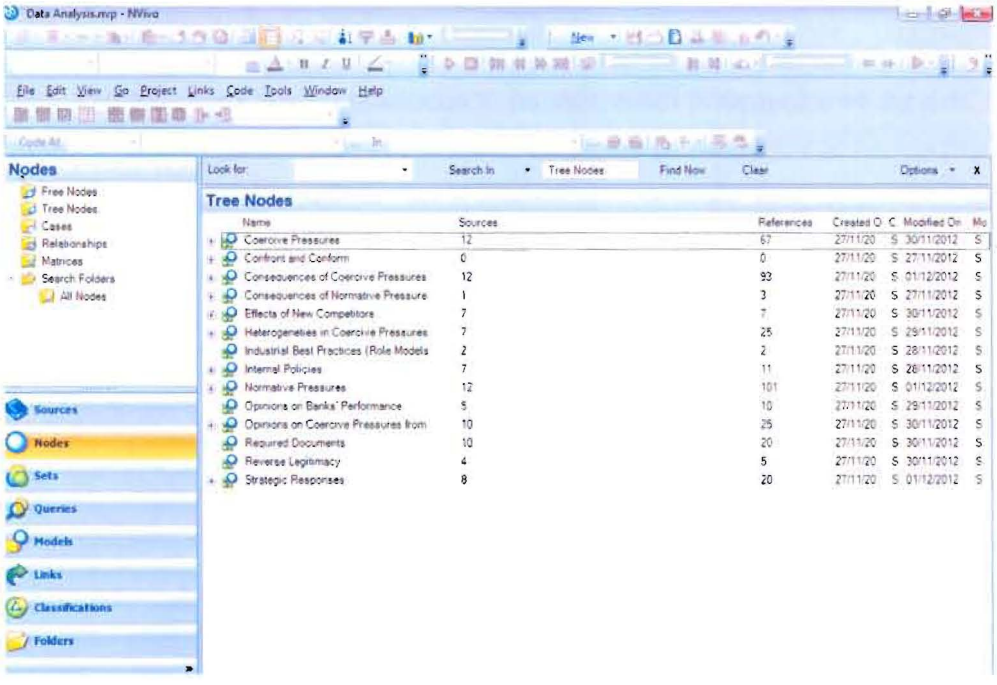

Figure A-4: Tree Nodes Coding in NVIVO

The 'open nodes' were coded under 'free nodes' which were later reviewed or assigned to newly created or predetermined categories. It is important to assign them later because these free nodes could provide the researcher with some of the important themes at later stage of the data analysis. It could identify new concepts and ideas for existing theoretical framework. Hence, analysis was done multiple times.

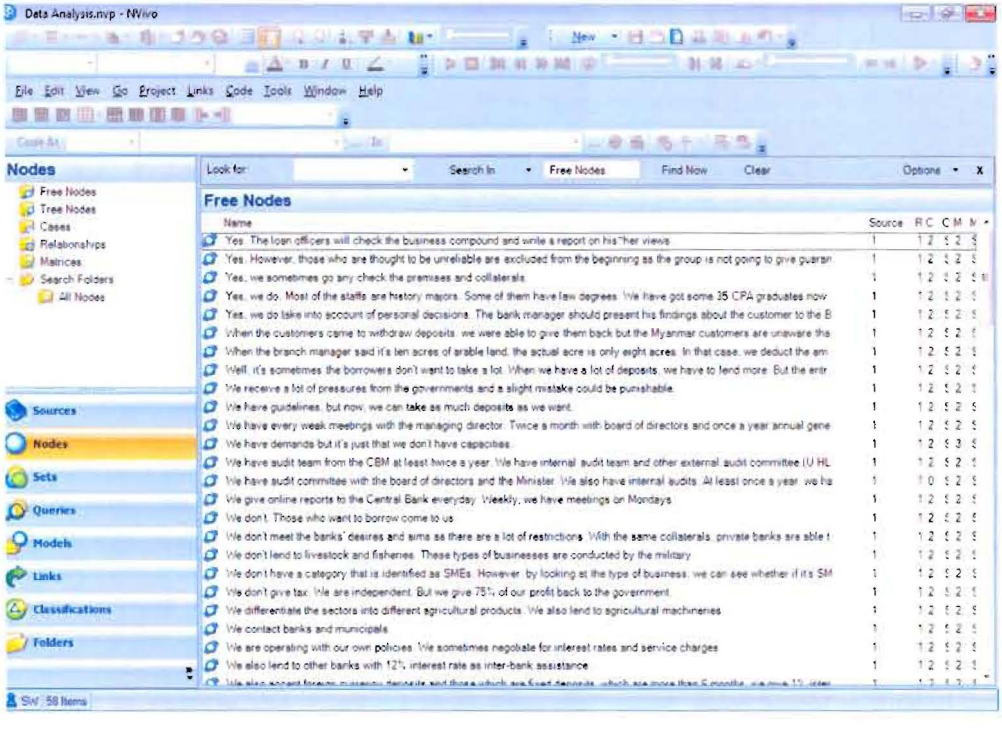

Figure A-5: Open Nodes in NVIVO

NVIVO had also been used in this thesis to provide visual presentation of the data. The following diagram was developed in NVIVO. It helped the researcher in interpreting the data and seeing things clearly.

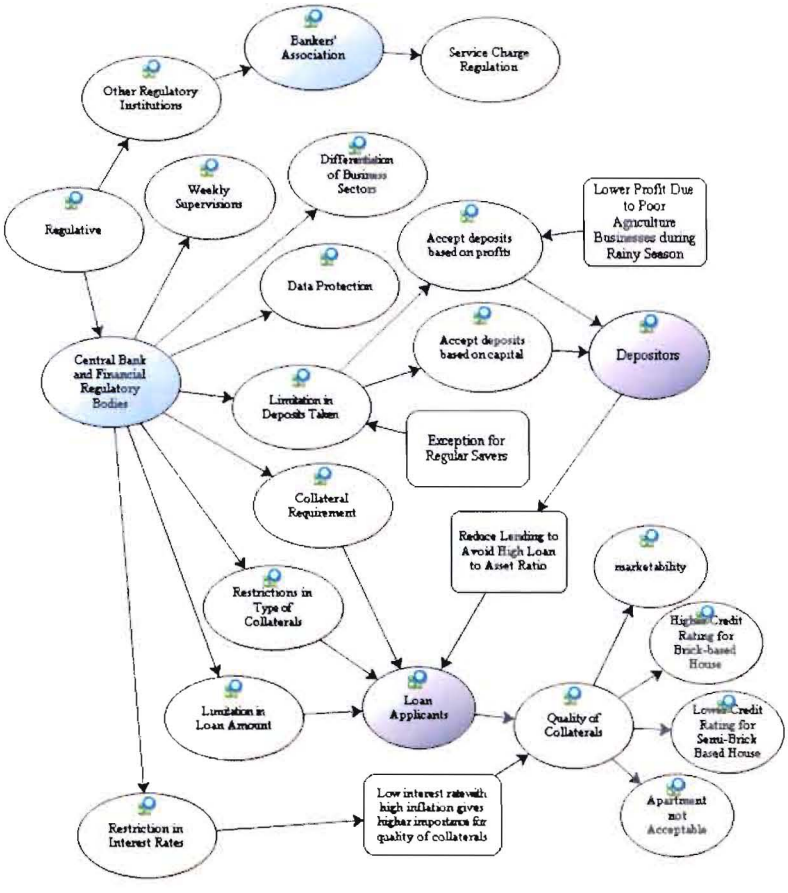

Figure A-6: Example of the Visual Representation of the process by which Coercive Pressures affect Banks' Lending Process

NVIVO has great tools for qualitative researchers to identify patterns in the data. However, one should be careful in overemphasising on numbers, such as percentage coverage. Every diagrams or figures generated by NVIVO should be analysed in detailed to make sure that they represented the actual account. For instance, 'heterogeneities in coercive pressures' was a code developed based on idea that how different banks receive leniencies or different levels of requirements in conforming to coercive pressures. P-B was the private bank who first informed the researcher about how some of the government related banks received such leniencies from CBM. Afterwards, this led the researcher to explore the types of leniencies that these government affiliated banks

received. By looking at the chart only, both the researcher and reader would identify P-B as a bank which received such leniencies. Therefore, the tools provided by NVIVO were used after analysing the sources and the quotes (or references) before including them as part of the analysis to prevent any misinterpretations.

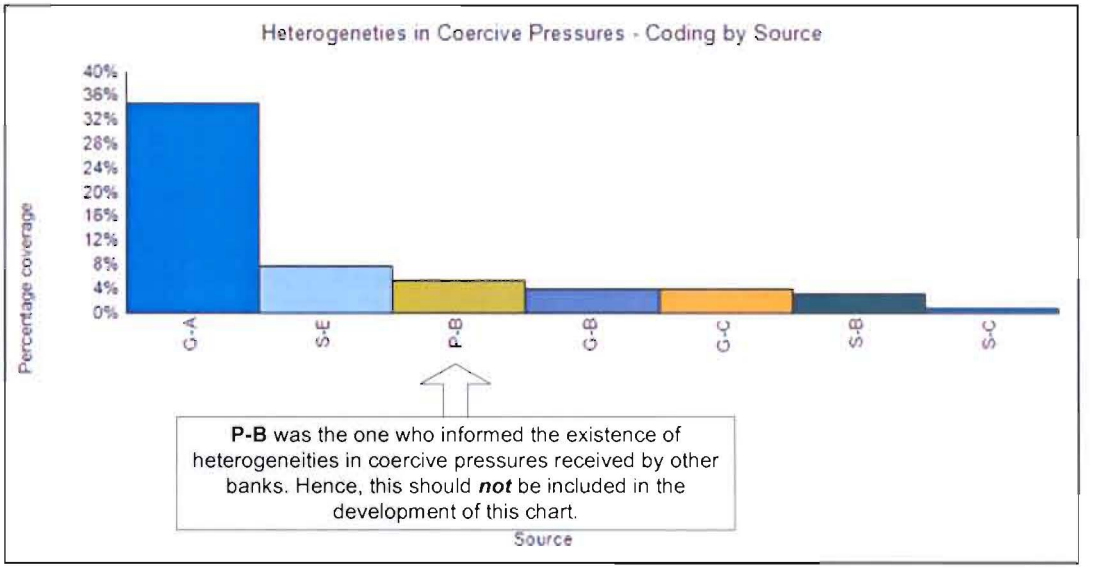

Figure A-7: Tree Node Coding Chart of the Code 'Heterogeneities in Coercive Pressures'

The above chart induced the researcher to identify the patterns across banks with different ownership structures. In addition, as the research included samples from government, semi-government and private banks, these imported interview transcripts were later grouped according to their ownership affiliations in 'sets'. As in Figure A-8 those interviewed five semi-government banks were included in the set named 'Semi-Government Banks', four private banks in the set 'Private Banks' and three government owned banks in the set 'Government Banks'.

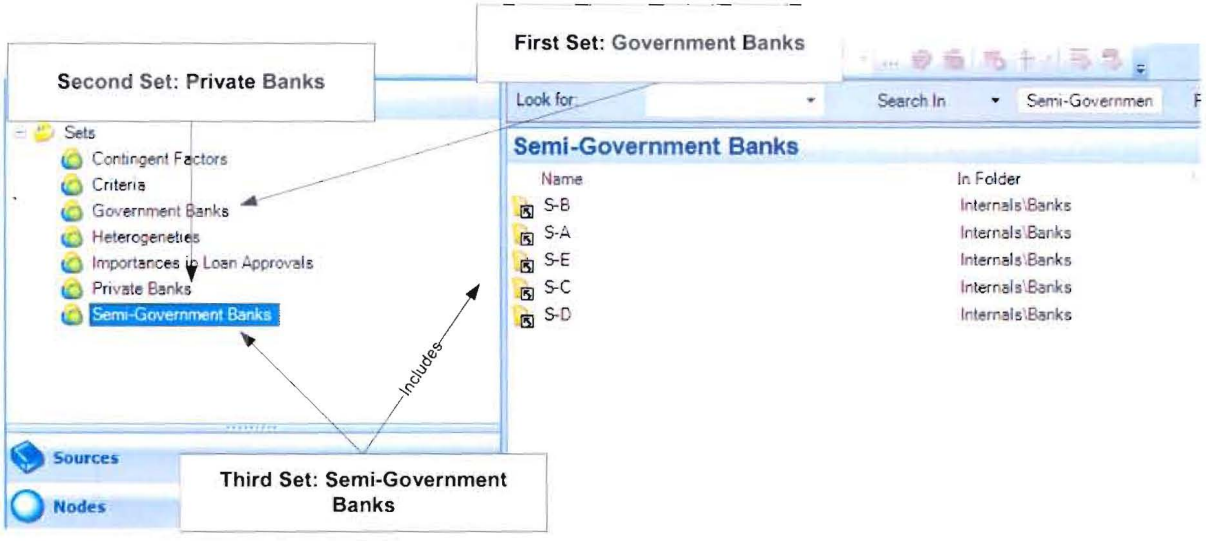

Figure A-8: Creating Sets in NVIVO

Matrix coding was also used in this research. It allowed the researcher to identify the sources under which the themes were coded. They were useful in detecting patterns in the data. From this display, it was possible to compare patterns for different banks and also with their related ownership structures. Those texts which had been coded using NVIVO could be used to construct matrix displays based on the co-occurrence of codes within the text. The resulting matrix display (see Figure A-9) provides both the sources of responses and they could refer back to the detailed content of responses, allowing the researcher to assess both patterns of associations and the nature of associations. Matrices, generally, are useful for facilitating comparative analysis of data. For this research, it's for the comparison between banks with different ownership structures. Similar to the tree node coding chart, matrix coding also required the researcher to check the quotes and sources again as to avoid misinterpretation of the data. The matrix display in Figure A-9 provides the researcher with the effects of new banks of different banks. The pattern that is given in the matrix is that government banks were not affected by new banks but only those banks with private stakes. Detailed analysis for this matrix coding will be given in chapter seven.

Deposits

	A : Decreased Lending	B : Lose Deposits	C : None
1 : Government Banks	0	0	2
2 : Private Banks	0	1	0
3 : Semi-Government Banks	1	1	2

Deposits | Deposits [Sets\Semi-Governmen

<Internals\Banks\S-A> - § 1 reference coded [0.58% Coverage]

Reference 1 - 0.58% Coverage

We are also affected by the competition. We lose some deposits as well.

Deposits | Deposits [Sets\Semi-Government | Deposits [Sets\Semi-Governmen

<Internals\Banks\S-C> - § 1 reference coded [0.70% Coverage]

Reference 1 - 0.70% Coverage

This is government run business, therefore, we are not affected by the new banks.

<Internals\Banks\S-D> - § 1 reference coded [0.62% Coverage]

Reference 1 - 0.62% Coverage

We are launcing ATM. It depends on the service. Our lending has not decreased.

Figure A-9: Matrix Coding in NVIVO

Overall, NVIVO reduced the possibility of analysing large amounts of materials in a structured manner and sped up the process of categorising and retrieving coded data. In the end, the researcher still had to synthesise and interpret data in accordance with the framework developed in a meaningful manner. Also, with the traceable audit trail, the systematic approach to the analysis of qualitative data was formed. It helped to deliver a sense of rigour and discipline in the analysis.

Appendix 4: Daily Report Forms Provided by Central Bank of Myanmar to Private Banks

STATEMENT FOR THE LIQUIDITY RATIO

For the week ending ---------- (Friday)

N.A. of Bank----------

(in thousands of kyats)

Particulars	Closing Monday On--------	closing Tuesday on-------	closing Wednesday on--------	closing Thursday on--------	closing Friday on-------	Total
Numerator						
- Excess in reserve requirement (cash , balance with the CBM)						
- Gold						
- Cheques, drafts and all receivables						
- Bills discounted, with maturities up to 3 months.						
- Government securities and securities guaranteed by the government.						
- Due from domestic banks (on net basis)						
- Due from banks abroad						
Sub-total						
- Less: Borrowings, using above assets as collaterals						
Total (1)						
Denominator	Opening Monday	Closing Tuesday	Closing Wednesday	Opening Thursday	Closing Friday	
- Cheques, Bills and all payables						
- Due to domistic banks (on net basis)						
- Due to banks abroad						
- Deposits--- Demand						
--- Time						
Total (2)						
LIQUIDITY RATIO (1/2) %						

We hereby certify that all data mentioned in this table are correct and tally with the bank's records.

Signatures of offices..... .....

with designations ....

Appendix 5: Monthly Report Forms Provided by Central Bank of Myanmar to Private Banks

CAPITAL ADEQUACY
MEASUREMENT

Position for the month ending--------

Name of bank----------

Partiiculars		Million Kyats	Million Kyats
A-CAPITAL			
Core Capital (Equity Capital)			
a) Issued & paid up capital			
b) Reserves			
c) Retained profits			
Less: Goodwill			
Accumulated Losses			
Total (A)			
B-RISK ASSETS (WEIGHTED)			
a) Loans & Advances (attch 1)			
b) Due from banks (attch 2)			
c) Cheques, Bills and all Receivables	20 %		
d) Fixed assets	50 %		
e) Other assets(1)	100 %		
(Excluding Claims on Government, Government Departments and State-owned Enterprises.)			
Total (B)			
CAPITAL ADEQUACY = A/B %			

(1) Do not include expenses for the current financial year.

Signatures of officers ---------- ----------
with designations ---------- ----------

(attachment 1)

LOANS & ADVANCES PORTFOLIO

Position after the month ending ---------- .

Name of Bank ----------

Millions of Kyats

Particulars	Balance[1] (book values)	Risk weights	Risk weighted assets
		(%)	
Mortgage		50	
Secured		50	
Unsecured		100	
-			
TOTAL			

(1) Provisions, if any, to be deducted

Signatures of officers . . . .
with designations . . . .

(attachment 2)

BALANCES DUE FROM BANKS

Position for the month ending ----------

Name of bank----------

Million of Kyats

Particulars	Balances (book values) (1)	Risk weights (2)	Risk weighted assets (3)
		(%)	
Residual maturities up to one year		20	
Residual maturities over one year		100	
TOTAL			

Signatures of officers . . . . . .
with designations . . . . . .

Appendix 6: Examples of Interview Notes

Loan Allocation

1. In your bank, when do businesses apply for loans? (for example, start-up or on-going)

2. When do you think that it is the most important for businesses to apply for loans?

3. Does the bank differentiate businesses into sectors? On what basis do you break them up?

4. Do you regard any of these sectors more important than the other? If so, what are the reasons for this? Which type of businesses do you lend the most?

5. Does the bank decline to support certain sectors, for example, industry, services or other? Why?

6. What sorts of documentations are required for businesses to apply?

collateral 30%

7. What are the pre-screening criteria for banks to reject applications in which you would automatically reject applications? If so, could you elaborate and give some examples?

ကျွန်တော်သတ်မှတ်ထားသည့်မည်သည့်အကြောင်းရင်းများကိုမူတည်ပြီးချေးငွေလျှောက်ထားမှုများကိုငြင်းပယ်ပါသလဲ။

ယုံကြည်ချက်၊ ၊ စက်မှု License, ဆေးပင် License, သူ့ကို မိုင်ဆိုင်တဲ့ပစ္စည်း၊ မဟုတ်ရင် collateral

မဟုတ်လို့ ၊ အကောင်ရှိ၊ မရှိ၊ ဘဏ်ဆဲ (အကောင်းမမြင်ပဘူး). BOD Director မဟုတ်လို့

8. What is the maximum amount of credit that individual loan applicants can get? How does the bank deal with firms that require large amount of credits that exceed limit of the team or individual?

စီးပွားရေးလုပ်ငန်းတစ်ခုလုပ်ဖို့ချေးယူနိုင်ပါသလဲ၊ ကုမ္ပဏီသတ်မှတ်ထားသည့်ပမာဏထက်ကျော်လွန်ချေးယူလိုသည့်စီးပွားရေးလုပ်ငန်းများကိုမည်သို့လုပ်ကိုင်ဆောင်ရွက်ပါသလဲ။

BOD မဆုံးဖြတ်ပါဘဲ ၁%. ဘယ်လောက် ၊ BOD member မသိဖို့ သူ့ကိုကတော့ အောက်ခံယူပြီး Dr. ခင်ရွှေ collateral value ပေါ်မှာ၊

9. How are the data protected? Is that an internal or external policy?

ဒေတာတဲ့သူတွေရဲ့ data ကိုဘယ်လိုကာကွယ်ထိန်းသိမ်းဆောင်ရွက်ပါသလဲ၊ ပြဿနာတွေကရှိပါလား၊ သတိပေးချက်ပြုလုပ်ပေးပါလား။

ချေးငွေကျပြီး ၊ ဘဏ်ခေါင်းဆောင်ကို clear ဖြစ်ရောင်း Vault ထဲမှာသော့ခတ်၊ ၊

10. *Does the bank have other external pressures that it has to lend to certain types borrowers and business sectors?*

(Which are provided in different ways depending on the interviewees and the environment etc.)

မည်သူ့ကိုချေးပေးရမည် သတို့ စီးပွားရေးကဏ္ဍတို့ကိုချေးရမည်ဟု ပြင်ပဖိအားပေးပြီးမှာကြပါသလား။ ၊ ဒုတိယ၊ တတိယ၊ လောက်ကျင်ပြပေးပါ။

စက်မှုယုံကြည်ချက်၊ ၊ BOD ၊ ဆေးလာကျင်ပေး

11. How does the bank market credit for businesses? Is there any government legislation regulatory requirements or requirements that require the bank to encourage business growth? Could you expand on these areas?

ဘဏ်တော်စီးပွားရေးလုပ်ငန်းများအားချေးငွေပေးမည်ဖြစ်ကြောင်း၊ မည်သည့်ကြေးကြေးနှင့် သတို့ အသိပေးခြင်းပြုပါသလဲ။ ဘဏ်မှာအာဇာနည် စီးပွားရေးလုပ်ငန်းတိုးတက်ဖို့ကြိုးစားတဲ့ကိစ္စ အပေါ်ဂဏုပရဒေတိုးတောက်လိုအပ်ချက်များကြပါသလား။ စီးပွားရေးလုပ်ငန်းချဲ့ထွင်ကျယ်ပြန့်အောင်ဆောင်ရွက်ကြပါသလား

BOD အဖွဲ့.