Myanmar – Japan Cooperation Programme for Structural Adjustment of the Myanmar Economy

Fiscal and Monetary Policy Working Group

March 2003

The Government of
The Union of Myanmar

Japan International
Cooperation Agency

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Foreword

This study was conducted within the framework of the technical cooperation programme of the Government of Japan, in response to the request from the Government of the Union of Myanmar.

The study was carried out as a joint research by taskforce teams, consisted of professionals from both Japan and Myanmar, and assisted by consultant teams from leading institutes in both countries.

The taskforce and consultant teams held a series of discussions, and conducted several field surveys. This report was prepared jointly by Japanese and Myanmar taskforce teams based on a mutual understanding.

I hope that the useful suggestions presented in this report will contribute to the formulation of policies for sustainable development of Myanmar, and it would be my great pleasure if the report would be used practically by organisations, officials and experts concerned.

I wish to express my sincere appreciation to the officials in the Government of the Union of Myanmar and to other relevant organisation and people concerned for their close cooperation and valuable input in the study.

March 2003

川上隆朗

Takao Kawakami
President
Japan International Cooperation Agency

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I. Banking Sector Review and Human Resource Development Programme

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Abbreviations and Acronyms

ADB	Asian Development Bank
ALM	Asset and Liability Management
ASEAN	Association of Southeast Asian Nations
ATM	Automatic Teller Machine
AWB	Asia Wealth Bank
BIS	Bank for International Settlements
CBM	The Central Bank of Myanmar
CPD Programmes	Continuing Professional Development Programmes
ESCAP	Economic and Social Commission for Asia and the Pacific
FDI	Foreign Direct Investment
FEC	Foreign Exchange Certificates
FMWG	Fiscal and Monetary Policy Working Group
FOREX	Foreign Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
HRD	Human Resource Development
HRM	Human Resource Management
IBBM	Institut Bank- Bank Malaysia
ICT	Information and Communication Technology
IT	Information Technology
JERI	The Japan Economic Research Institute
JICA	The Japan International Cooperation Agency
JVs	Joint Ventures
K	Kyat
KBZ	Kanbawza Bank
LCCI	London Chamber of Commerce and Industry
MADB	Myanma Agricultural Development Bank
MBA	Myanmar Bankers' Association
MDY	Mandalay
MEB	The Myanma Economic Bank
MFTB	The Myanma Foreign Trade Bank
MICB	The Myanma Investment and Commercial Bank
MMB	Myanmar Mayflower Bank

MOB	Myanmar Oriental Bank
MOFR	Ministry of Finance and Revenue
MOU	Memorandum of Understanding
MSEC	Myanmar Securities Exchange Center
MUB	Myanmar Universal Bank
NPLs	Non Performing Loans
ODA	Official Development Assistance
PO	Payment Order
RM	Malaysian Ringgit
ROA	Return on Total Asset
ROE	Return on Equity
SEEs	State Economic Enterprises
SFA	State Fund Account
SME	Small and Medium-sized Enterprise
SOCB	State- owned Commercial Bank
SOE	State- owned Enterprise
STF	Staff Training Fund
TA	Technical Assistance
TB	Treasury Bill
TOR	Terms of Reference
YCDC	Yangon City Development Committee
YIE	Yangon Institute of Economics

Executive Summary

Background of the Report

1. This report on banking sector development in Myanmar is part of the study on the Myanmar financial sector (hereinafter called "the Study"), one of the study components of the Fiscal and Monetary Policy Working Group (FMWG) within the framework of the project titled *Myanmar–Japan Joint-Study for Economic Structural Adjustment in Myanmar*. JICA organised a study team led by the Japan Economic Research Institute (the prime manager) to implement the Study jointly with Myanmar experts, officially beginning in November 2001 coordinated by the FMWG, which comprises members from both countries.

2. The main purpose of this joint study is to identify priority issues and policies on the main financial intermediaries in Myanmar, their managerial improvements and human resource development for banking sector in particular, and thereby contribute to financial sector development that is conducive to a market-oriented economy. Our joint-study team approaches this issue by conducting interviews with financial institutions and analysing existing disclosed documents and data.

3. To address the issues on the financial sector, it was decided through discussions at the FMWG level that the study led by the Japan Economic Research Institute was to focus primarily on the private sector in the banking business, in consideration of the circumstances on the Myanmar side. Overarching banking sector development issues including state-owned banks were therefore not addressed in a comprehensive manner within this study, although some points are referred to because they are indispensable to the main purpose of the study. Further to the first part of the Study on Banking Sector in Myanmar until July 2002, the second part of the Study highlights Human Resource Development of Private Banks, vital to accelerating development of banking sector in Myanmar.

4. With the promulgation of the Central Bank of Myanmar Law and the Financial Institutions of Myanmar Law, the government allowed private banks to commence operations in 1992 as part of the banking sector modernisation process. Private banks have been playing increasingly substantial roles in development of the financial sector and the national economy. However, there are still many issues to be considered in order to establish a firm foundation of public trust (by ensuring a sound financial system and improving financial service quality) and contribute to economic growth (by providing capital to real sectors that have higher

productivity). Thus, in this report, we will summarise further development of banking sector policies and private-bank management, followed by HRD programme for banking sector with close linkages.

Measures to be Taken into Consideration for Further Development of Banking Sector in Myanmar

5. In order to keep momentum in the development of Myanmar's banking sector, policy makers should take into consideration the fact that maintaining public confidence in fundamental commercial banking activities is important. Therefore, ensuring banking system sustainability, improving peoples' access to financial services, and removing impediments to institutions' competitiveness should be emphasised.

6. Policy measures and managerial improvements for building a sounder financial system
Assurance of the soundness and stability of the financial system is a prerequisite for further banking sector development in Myanmar. However, at a time of rapid expansion of financial services, prudential practices are apt to be deferred for future discussion.
   - In order to protect depositors, we recommend that banks disclose their financial statements to the general public and at the same time, develop the sound accounting practice particular to banking sector.
   - The Central Bank of Myanmar (CBM) is to take into consideration to establish appropriate prudential norms to be put into actual practice by banks. A typical example is to establish a sounder monitoring and repayment system through introduction of both monthly (or more frequent) repayment and periodical monitoring of the credibility of borrowers in cases where loans are being rolled over. CBM is to take into consideration to examine the quality of assets and real situations of non-performing loans.
   - In order to prevent repeated failures, we recommend that banks share amongst themselves periodically their information on delinquent customers and fraud in financial transactions.
   - In order to keep financial discipline of banking sector, policy lending should be segregated from commercial banking activities.
   - In line with the Control of Money Laundering Law (enacted June 2002), effective actions will be taken against illegal money transactions, with deliberate consideration on ensuring soundness and stability in the financial system.
   - The Central Bank of Myanmar is to take into consideration to mandate sound corporate governance in private banks by upgrading the existing establishment norms to reflect international standards. Review of article 3(a) of FIM Law is recommended, specifically

looking to require that some private banks be established as shareholding companies. Shareholding companies would provide far sounder financial bases and bank management accountability. In modern market economies, banks must have shareholding company status. Institutions established as limited liability companies should be classified as finance companies.

- CBM is to take into consideration for the need of establishing accounting standards that enable domestic private banks to compete and cooperate with foreign banks on equal financial bases.
- External auditing and publication of audited results should be compulsory for all financial institutions of relevant size and market presence. Detailed criteria should be set by CBM.

7. Policy measures for enhancing private banks' capacity to provide loans to the small-and-micro enterprise sector, to best serve the real sector productivity growth
   - Encourage private banks to improve the access of the small-and-micro enterprise sector to commercial banking services by permitting them to gradually expand their branch networks into local areas, corresponding to the financial capacity of the banks concerned. The criteria for permits for new branches should be rationalised.
   - Support institutional capacity building (in financial intermediation) of banks in the course of their expansion from regional to nationwide banks. In parallel with enlarging their customer bases—from only individuals at the community level to also enterprises with wider scopes of business—private banks need to upgrade their bases for making loans from personal connections and mere collateral valuation to creditworthiness and managerial and financial sustainability of enterprises and projects. Human resource development (capacity to both assess borrowers' business plans before providing credit and monitor customer performance after providing credit), will be getting more important in order to minimize credit risk in the banking sector.
   - Mobilise longer-term funds by giving customers more incentive to save long term—incentives such as gradual adjustment towards positive interest (in real terms). Banks need to introduce more flexible lending rates, reflecting the individual credit risks of borrowers, in order to encourage more lending to small and micro businesses.

8. Policy measures for strengthening commercial banks' competitiveness in order to cope with ASEAN regional financial cooperation initiatives and open-up the financial market of Myanmar

In the April 2002 ASEAN Finance Minister Meeting in Yangon, member countries made commitments to further liberalisation of financial services in 2002. The financial crisis in Asia in 1997 and its subsequent impacts highlighted the fact that financial system sustainability is critically dependent on increased competitiveness by domestic financial institutions.

- In order to enhance the competitiveness of commercial banks for the country as a whole, an appropriate division of works among state-owned banks and private banks needs to be reviewed in view of recent rapid progress of private banks' financial services.
- Permission of dealing with foreign exchange business to private banks should also be considered in order to strengthen their business bases in preparation for a gradual shift to full-fledged international banking. Lifting the ban on joint ventures between foreign and domestic banks would facilitate the transfer of know-how to domestic commercial banks from abroad.
- An inter-bank money market and treasury bond secondary market should be established in order to give commercial banks a better environment for liquidity management.
- Financial system stability is reviewed periodically in modern market economies. Assessment of the financial sector in Myanmar cannot be complete without examining its legal framework, focusing on the practice of law. The degree of promotion necessary to induce an efficient discharge of financial obligations should be measured in order to determine policy for further strengthening of the financial market.
- Nowadays, banking laws and regulations governing the legal status, organisation, and operation of banks are becoming uniform worldwide. A comparative study identifying possible differences would help prepare the Myanmar banking sector for modernisation.

The present situation of human resource development in Myanmar

9. The present situation of ODA

Assistance in human resource development of the banking sector of Myanmar is conducted mainly by ODA; such assistance is difficult to be provided by overseas private financial institutions, as foreign banks firms are facing restrictions in such activities as establishing a joint-venture company or opening a new branch. International bureau of the Ministry of Finance and Revenue is in charge of receiving ODA for financial institutions. In 2002 (as of November 2002), 113 programmes (2822 days in total) have been conducted, either domestically or overseas, by five international institutions and seven countries. More than half of those programmes were conducted by IMF, followed by Japan which provided 21 programmes (572 days in total) including the one conducted jointly with other institutions.

Characteristics of such HRD programmes are:

- Beneficiaries are the Ministry of Finance and Revenue, the Central Bank and State-owned Commercial Banks and availability of such assistance is very limited to private financial institutions.
- The World Bank and the Asian Development Bank have not conducted these HRD programmes for the banking sector and a limited number of countries are providing these programmes as bilateral technical assistance.
- Very few programmes aim at assisting improvement in institutional capacity of financial institutions systematically through providing trainers' training, as most of training focus mainly on capacity building of officials of financial supervisory agencies.

Recommendations on HRD and Technical Assistance for Banking Sector

A Sustainable Banking Sector Training Programme

10. We will discuss concretely a banking sector training programme that incorporates trends in banking policies and management, with focus on the following factors: core implementing agencies, targeted trainees, priority subjects, implementing timeframe, recommended courses, and so forth.

11. dentification of Priority Areas for the Banking Sector HRD Programme
We will use the following criteria to identify priority areas (those with significant gaps between training and demand) to be addressed by the HRD programme.
    1) Urgency of banking sector policies
    2) External impact of the training programme (e.g. dissemination of best practices for enhancing financial discipline for banks as a whole)
    3) Areas or subjects in which only overseas sources have the know-how
    4) Effectiveness and efficiency of training implementation
    5) Possible immediate training effects
    Emphasis will be put on trainers training subjects rather than on basic subjects that can be covered in a corresponding course in the future. Trainers can disseminate their knowledge to their colleagues through in-house training (or on-the-job training) in their respective banks. Thus by linking trainers training with in-house training we can expect maximum impact at minimum cost.
    5) Possible immediate training effects

12. Options for implementing banking trainings

In order to implement such trainings, we will examine appropriate modalities. We suggest three options to implement banking trainings.

1) Expected promgrammes by MBA

Myanmar Banker's Association was established in 1 April 1999 in accordance with the resolution of the Trade Policy Making Council meeting No. 4/99. All private sector banks are constituted as members in the Myanmar Bankers' Association.

MBA started its first training course in this August. It was not trainers training course. However, the experience of this course management know-how will be useful to start trainers training course in MBA. The dissemination effect is broad. The merit for using MBA as a training vehicle is that it is easy for member banks to use training course and it meets the purpose of MBA.

Also a new MBA building will be built in 2004 and it will be used not only as a training centre but also as a banking library. Although this contributes to decreasing in the management cost of training course, member banks and training participants will still have to pay additional costs.

When this course is supported by overseas technical assistance, MBA will be able to be the window of ODA. Considering above elements, MBA seems to be a suitable organisation for introducing new trainers training course.

2) Expected programmes by Myanmar-Japan Center for Human Resource Development

The Government of Myanmar and Japan have agreed to establish Myanmar-Japan Center for Human Resource Development (hereinafter the Center) in Yangon for promoting comprehensive human resource development support and exchanges. Their main activities are; conducting business courses, Japanese language course, and cultural and other exchanges.

After inception of the Center in 2003, actual implementation of various programmes are expected with the involvement of short-term and long-term experts from Japan prior to the completion of new facilities of the Center in 2005.

Through this undertaking, overall adjustments on the support for HRD from Japan will become easier and recommendations of the ongoing Myanmar –Japan Joint Study for Economic Structural Adjustment will be reflected in the future programmes of Japan Center. Thus the support of HRD for the banking sector will be a promising agenda of the business courses of the Center with the support of Yangon Institute of Economics, considering the importance of the banking sector in the Myanmar economy.

Proposed syllabuses for the course in the Center are basically similar to the trainers training course by the Myanmar Banker's Association mentioned above. However, targeted audiences will be broader than that of MBA, and policy makers and scholars will be included in addition to bankers. Ad-hoc seminars by inviting Japanese and other foreign experts can be more flexibly organised for specific issues of emergency because of the cross-cutting nature of the Center.

3) Expected programmes by an independent training school

Establishing an independent training school is another option. A typical example in ASEAN countries is banking school in Malaysia named "Institut Bank – Bank Malaysia (IBBM)" in Kuala Lumpur. IBBM can be a good future model for training programme and Myanmar can learn many important issues from them.

IBBM is a NPO that was established by banks in Malaysia for concentrating on banking training in 1977. IBBM is governed by a Council. The Governor of Central Bank serves a chairman of the council of IBBM. Currently, IBBM has 86 institutional members and about 7,000 individual members. IBBM offers 400-500 training courses a year. Last year, IBBM trained 14,500 people.

From the case of IBBM, we can see that the following aspects are important for successful operation of a banking training school.

- Strong central bank leadership for establishing and operating the institution
- Strong financial support from member banks
- Considerable amount of subsidy out of "the staff training fund"
- Clear targeting of trainees for each subject
- Wide global network of trainers

13. Framework for developing training programme

1) Recommended methods

When we consider the target trainees for the training programme, we can divide them into three groups: officers and beginners, supervisors and managers, and top management. We recommend that three types of training courses should be designed according to each level of trainees.

Targeted trainees and modalities

Course Type	Targeted trainees	Methods	Duration
A	New employees & officers	General lectures and case study (correspondence course)	Four weeks per course
B	Supervisors & managers (Trainers)	Classified by special areas lectured by overseas experts	Two weeks per course in a specific area
C	Top management	Workshops or seminars on specific subjects Overseas study trip programme	One day or two days per subject One week

2) Recommended subjects and time schedule of the training cources

From the study, we have identified some important areas that are crucial for modernising banking operations and therefore should be focused on the training for bankers. We recommend the following five major areas to be included in the training programme:

- Strategy and management
- Risk management
- International banking and international financial market
- Credit analysis and project evaluation
- Information and communication technology

Please see detailed recommended training courses in the table at the end of this summary.

The following table shows the time schedule and recommended courses.

Course Type	2003	2004	2005	2006	2007
A	MBA general course continues	→	→	→ Correspondence course starts	→ →
B	Six urgent courses start	Six urgent courses continue and five additional urgent courses start	Eleven urgent courses continue and five future courses start	Eleven urgent courses and five future courses continue, and five additional future courses start	Total twenty-one courses continue
C		Courses start (Ad hoc seminars)	→	→	→

3) Problems to be solved to implement recommended courses

Main problems are trainers fees, selecting suitable trainers, textbooks and materials (including translation into Myanmar language), strengthening linkage with government organisations such as the Central Bank of Myanmar and the Attorney General, trainers training and linkage with OJT.

Expected technical assistance in HRD of the banking sector

14. Support for MBA's trainers training programme

MBA seems to be suitable organisation for introducing new trainers training course. Technical Assistances including Japan to this undertaking are highly recommended in order to establish efficient and effective training programme with a long-term sustainability. Priority will be given to know-how for which there is no domestic source.

15. Support for the possible HRD programmes for banking sector in Myanmar-Japan Center for Human Resource Development

We recommend to the Center to conduct a banking sector training programme as part of its Business Course considering the crucial importance of the sector. The possible workshops for banking sector organised by the Center is also expected to provide policy dialogue opportunities between the two countries.

For both cases mentioned above, active interchanges of experts in Japan, Myanmar, and other ASEAN countries should be paid respect in order to make Myanmar counterpart possible to introduce appropriate institutions, HRD programmes and resource persons which are best fit to the Myanmar context.

16. Dispatch JICA experts in the subjects of urgent need for conducting a seminar

In the course of the Study, Myanmar FMWG and banks requested the Study team to conduct a seminar for priority issues with which banks in Myanmar are currently facing. In order to materialise a prompt action for assistance to banking sector HRD, the Joint Study Team has made proposal of this scheme to both Governments. JICA is ready to respond this request with the consensus of the Myanmar Ministries concerned. Through this seminar, the recent private banks' common undertaking will be highlighted for further improvements.

The following three areas are of urgent need among private banks.

- Information and Communication Technology for Banking Activities
- Modernisation of Payment and Fund Transfer System

- Micro Business Loan Appraisal

The one-day seminar could be conducted in Yangon in the 1st quarter of 2003 with involvement of JICA short-term experts upon agreement among concerned Ministries concerned. This trial will become an important step stone for long-term assistance schemes mentioned above.

Table: Recommended Training Courses

Areas	Urgent Courses	Future Courses
Strategy and Management	Banking marketing and customer satisfaction	
	Branch management	
	Fund transfer	
	Developing supervisory skills	
	Accounting, auditing, and performance evaluation	
Risk Management	Compliance	Operational risk management
		Asset and liability management (ALM)
		Liquidity management
International Banking and International Financial Market	International regulations and money laundering law	International trade finance
		Foreign currency exchange
		Derivatives
		International financial market
Credit Analysis and Project Evaluation	Methodologies of corporate analysis	
	Evaluation of SME business plan	
	Credit monitoring	
ICT	ICT and management	Advanced ICT in banking business
		Security in Information system
		Database management system

Part I

Banking Sector Review

Table of Contents

1. Background of the Report

1. The main purpose of this joint study* is to identify priority issues and policies on the main financial intermediaries in Myanmar and their current institutional environment and thereby contribute to financial sector development that is conducive to a market-oriented economy. Our joint-study team approaches this issue by conducting interviews with financial institutions and analysing existing disclosed documents and data.

2. To address the issues on the financial sector, it was decided through discussions at the FMWG level that the study led by the Japan Economic Research Institute was to focus primarily on the private sector in the banking business, in consideration of the circumstances on the Myanmar side. Overarching banking sector development issues including state-owned banks were therefore not addressed in a comprehensive manner within this study, although some points are referred to because they are indispensable to the main purpose of the study.

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* The study on the banking sector, focusing on a brief sector review and human resource development programme, was mainly implemented by a consulting firm, the Japan Economic Research Institute (JERI), under contract with the Japan International Cooperation Agency (JICA). FMWG taskforce members guided and supervised the works and supported the organisation of research through identification and formation of local consultants. This composite report includes all of the banking sector works, including its executive summary.

2. Financial System as Infrastructure for Sustainable Economic Development

3. The banking sector, at the core of the financial system, is expected to play a pivotal role in the economic development of Myanmar. First, banks mobilise domestic savings by offering to depositors a liquid and safe store of value. This is particularly important for Myanmar due to the limited inflow of foreign direct investment, reflecting the international political and economic environment. Second, banks promote efficient allocation of funds by examining and monitoring borrowers for efficient and effective use of funds. One of the most important roles of financial institutions for economic development is the "financial intermediary function". Speculative and non-productive fund allocation by commercial banks is thought to be one of the causes of the Asian financial crisis since 1997, and many countries including Japan are still struggling to restructure weak banking systems. Additionally, the credit crunch—that is, the difficulty in smooth mobilisation of necessary funds to productive projects—caused by non-performing loans seems to be heavily constraining economic growth. Thus, it is obvious that financial systems should function as indispensable infrastructure for both economic development and stability.

3. Financial Sector Development in Myanmar

4. The dawn of Myanmar's market-oriented economic system was in 1989-90, and to facilitate its development, the country's financial system has been restructured (made sounder and more efficient): existing laws were amended and new laws were promulgated in relation to banks and other financial institutions. The new laws broaden the scope of the banking activities, enabling both state-owned and private banks to cater to the economic needs of the market.

5. Despite rapid banking sector growth, the financial sector is still relatively undeveloped (table 1). The deposits-to-GDP ratio, an indication of the financial deepening, went as low as 15.3 percent in 1999/00; however, this is still somewhat of an improvement on the 10.3 percent in 1992/93. The low level of development is because
   - Central Bank of Myanmar (CBM) regulations keep deposit interest rates at low levels (4.0 percent for call deposits and 9-10 percent for time deposits). This appears to keep real interest rates unattractive, with the result that financial transaction in the economy remains substantially informal.
   - Cash-based settlement is still common in business activities.
   - Access to formal financial services is lacking, except in big townships: this is particularly true in rural areas.

6. The loan-to-GDP ratio seems to have been stagnant in the range of 9-10 percent over the past four years, indicating that the credit provision by banks to the corporate sector has been significantly insufficient.

7. Because the level of financial deepening in Myanmar is so low, formalisation of underground (informal) financial transactions could provide tremendous returns once an enabling environment is in place. It appears that urgent measures should be taken to induce money from the informal sector to the formal sector. It should also be noted that a fundamental requirement for a sustainable financial system is appropriate macroeconomic management: inflation control, foreign exchange adjustment, and fiscal balance improvement.

4. Financial Institutions in Myanmar

8. The financial institutions in Myanmar are classified into two categories: (a) the financial institutions subject to the Financial Institutions of Myanmar Law (FIM Law), and (b) the other financial institutions (figure 1 and table 2).

9. The category (a) includes commercial banks, investment or development banks, finance companies (Myanmar Small Loan Enterprise, leasing company), credit societies (to date, no society registered) and other financial institutions (Myanmar Securities Exchange Centre, Myanmar Insurance, etc.). Except commercial banks, activities of other financial institutions in the economy remain low level.

10. The category (b) is composed of Myanma Agriculture Development Bank, Credit Cooperatives under the Ministry of Cooperatives, private pawnshops and money lenders with diversified legal frameworks on registration of organisation, interest rate regulations, and supervision. The relative weight of these financial institutions is not substantial. However, from the viewpoint of rural people accessibility, these financial institutions are of great importance and need to enhance capacities for extending quality financial services to rural people and microenterprises.

4.1 State-owned Commercial Banks

11. There are three state-owned financial institutions, namely, Myanma Economic Bank (MEB), Myanma Foreign Trade Bank (MFTB) and Myanma Investment and Commercial Bank (MICB). In addition, Myanma Agricultural Development Bank (MADB)—reformed from the Myanma Agricultural and Rural Development Bank in 1996—carries out financial services for farmers as per the Myanma Agricultural and Rural Development Bank Law (promulgated in July 1990) under administration of the Ministry of Agriculture and Irrigation.

12. Only MEB, MFTB, and MICB are permitted to conduct international banking services (foreign currency exchange, letters of credit for export and import business, and so on).

13. In transition economies, state-owned commercial banks are apt to be directed by the government to extend loans to state-owned enterprises, resulting in accumulations of non-performing loans due to lack of financial discipline (like in China and Vietnam). In Myanmar,

finance for state-owned enterprises comes out of the State Fund Account (part of the fiscal budget) and thus is separated from commercial finance. As a result, the operations of both the state-owned commercial banks and the private financial institutions concentrate on short-term finance for private, small- and medium-size enterprises. This is an advantage in that the Myanmar financial system can keep distance from problems caused by the government-directed credit to state economic enterprises. The Central Bank of Myanmar should be given wider initiative in dealing with monetary policy, which will be apart from fiscal policy.

4.2 Private Banks

14. With the promulgation of the Central Bank of Myanmar Law and the Financial Institutions of Myanmar Law, the government allowed private banks to commence operations in 1992 as a part of the banking sector reform process. To date, there are twenty domestic private banks operating in Myanmar: ten wholly private and ten semi-governmental. As of January 2002, there were 235 branches of domestic private banks.

Deposits

15. Private banks have been playing increasingly substantial roles in development of the financial sector and the national economy (table 3-1)—their deposits are growing by an average rate of over 60 percent per annum, and also growing is their share of total deposits and loans (recently, about 60 to 70 percent). Among others, "call deposits" (daily interest bearing) have grown increasingly popular for payment clearing. We infer that the improved remittance services of private banks that have developed branch networks equipped with information and communications technology are attracting many customers. Call deposits can be thought of as supplementary financial services for customers' remittance needs.

Remittance services

16. It is natural for customers to use the safest and most rational services that banks provide under the current legal framework, especially in an economy with high risks. It is our hypothesis that because of the high financial risk at the early stage of banking sector development in Myanmar, improvement of remittance service might be a trigger to facilitate other banking services. Rapid improvement in the quality of banks' remittance service in terms of safety, promptness and correctness is replacing informal remittance (hondy system) and revealing potential needs for formal banking service. Furthermore, large private banks are attracting customers away from MEB through productive investment in information and

communications technology to provide better services.

17. However, it should be noted that the development of banking activities is easily changed by government polices and macro-economic factors as it is still in an early development stage.

Bank loans

18. The weak lending activities of the banks are also indicated by the loan-to-deposit ratio, which has declined from 78 percent in 1998 to 56 percent in 2000 (table 3-2). Affecting ratio are (1) the fact the number of promising lending opportunities is not increasing as quickly as the deposit level is and (2) CBM's stringent requirements in terms of commercial bank liquidity since the onset of the Asian financial crisis in 1997.

19. Several characteristics of loans provided by private banks are shown below.
    - Private banks are permitted to carry out only domestic and local currency (kyat) based commercial banking activities. Functions like foreign currency based transactions and external financing belong to state-owned banks although legally there are no explicit impediment to conduct such transaction based upon CBM permission (section 83, CBM Law and section 25(f), FIM Law).
    - Market penetration by private banks in terms of loans is just as significant as the size of their deposits.
    - Lending activities of the "big seven" banks are going to dominate the market.
    - The majority of loans are short-term, mainly working capital for enterprises or households.
    - Overdrafts are very common for the private banks.
    - In principle, loans are secured by appropriate collateral amounts.
    - Private banks try to maintain high liquidity because there is no interbank money market to cover short-term shortages. Large holdings in treasury bills seem to be one means of maintaining high liquidity.
    - The ratios of loans to total assets and loans to deposits are relatively low, which restricts bank profit.

Financial performance of leading banks

20. Private banks have been experiencing a sharp increase in assets. Total assets of five leading banks (Asia Wealth Bank, Yoma Bank, Mayflower Bank, Myawaddy Bank, and Oriental Bank) increased by 75 percent in 1999/00 and 74 percent in 2000/01. Deposits increased by

78 percent in 1999/00 and 63 percent in 2000/01, to where they comprised 84 percent of total assets. (table 4).

21. Regarding the asset portfolio management, we can summarise three major characteristics:
    - Low loan-to-asset ratio (49 percent as of March 2001)
    - High proportion of treasury bond investment (36 percent of total assets as of March 2001)
    - Low loan-to-deposit ratio (59 percent as of March 2001)

    This reflects the relative decrease in promising lending opportunities against sharp deposit increase on one hand and CBM's stringent liquidity control on the other.

22. In spite of the sharp increase in assets, profitability of leading banks stays at low level. The average ROA of five leading banks in 2000/01 was 0.4 percent. This low profitability comes from the following:
    - Low net interest income due to the low loan-to-deposit ratio and the large treasury bond investment that yields lower interest income (Deposits are not fully utilised efficiently.)
    - Continuous increase of non-interest expenses

23. CBM monitors bank financial soundness periodically as the supervision agency. It appears that leading banks have enough liquidity to follow requirements from CBM. However, the equity ratio seems relatively low. The average equity ratio of five leading banks as of March 2001 was 4.1 percent. In most banks, internal capital accumulation should be enhanced.

4.3 Interest Rate

24. As mentioned earlier, when Myanmar embarked on banking reforms in 1990s, transforming the banking system of the centrally planned economic system into a traditional banking system of a market-oriented economy, new banking laws were promulgated. All the new banking laws were drafted in close collaboration with the legal experts of the International Monetary Fund. Based on various studies of and discussions over the existing banking and financial laws in many countries at that time, the new banking laws for Myanmar were tailored in a most comprehensive fashion. However, while international banking atmosphere has been changing a lot, Myanmar's new banking laws still provide an old-fashioned typical banking practice. Regarding interest rates, minimum interest rates payable on savings deposits, savings certificates and time deposits shall not be less than 3 per cent below the

Central Bank of Myanmar rate, and maximum interest rates chargeable on loans and overdrafts shall not be more than 6 per cent above the Central Bank of Myanmar rate (Article 61, The CBM Law; Regulation 12, 13 of Regulation for Financial Institutions). If CBM considers that it is necessary to take corrective actions related to any of the provisions of Article 61 such as abuse of interest rate restriction, it is entitled to issue written warnings, call for examination of accounting books and documentation or impose penalty for such a violation.

25. However, variations in interest rates, depending on the financial institution type, are observed in the current regulatory framework as shown in table 5. Based on the FIM Law, all entities established as banks comply with CBM interest rate regulations. Although MADB is entitled to set up its own interest rate under the MADB Law, the Board of Directors voluntarily follows CBM rulings.

26. Credit cooperatives established under the Cooperative Society Law are permitted to set their own interest rates based upon the by-laws elaborated and endorsed by the General Meetings of the respective cooperatives. Since credit cooperatives are established under the Cooperative Society Law but not under the banking laws, they are not required to follow CBM interest rate regulations. If a credit society is established under the FIM Law, they will be regulated in accordance with the CBM Law section 61.
Although the definition of credit society under the FIM Law seems to be fit with the credit cooperatives under the Cooperatives Society Law, they are not necessarily be regulated by the banking laws, as long as they are permitted not by the banking laws.

27. In the case of money lenders, section 10 of the Money Lender Act clearly determines the maximum interest rate limits[1]. This explains the existence of numerous unregulated money lenders applying unreasonably high interest rates outside the scope of the Money Lender Act.

[1] Section 10 of the Money Lender Act: Maximum rates at which interest may be decreed.

(1) Notwithstanding anything to the contrary contained in any other law for the time being in force, or in any contract, no Court shall, in any suit or proceeding in respect of a loan advanced after the commencement of this Act, pass a decree in respect of interest at rates exceeding twelve per centum per annum in the case of a secured loan and eighteen per centum per annum in the case of an unsecured loan.

(2) A copy of every judgment or order of a Court whereby, in consequence of the provisions of sub-section (1), the rate of interest recoverable on a loan is reduced shall be transmitted to the Registrar by the Court.

28. Microfinance institutions are another type of finance entities applying market based interest rates (please see the separate report on this issue). However, those institutions exist as pilot experiments to respond to small-amount lending needs in rural areas. The legal framework for microfinance is yet to be established and in the absence of particular legal enforcement for microfinance, a lot of concerns about whether the interest rate regulation of the banking laws cover the interest rate setting of MFIs may arise. As such, concerns for the continuity of MFIs' solid establishment in the country may grow. Therefore, there is a clear and urgent need for the monetary authorities to solve issues involving interest rate ceilings that affect the emerging microfinance institutions. Possible options to be sought include exempting such institutions from the existing interest rate regulations or proclaiming a separate legal category that overrides existing interest rate regulations for microfinance institutions. The sequencing of measures can be prioritised: urgent needs and the mid- or long-term needs in consistent with overall financial system improvement. The interest rate issues on microfinance institutions are closely related to the legalisation and licensing of NGOs and other organisations involved in microfinance. These inter-related issues are discussed in the separate report of the joint study on microfinance: in the context of Myanmar (chapter 1), the Philippines (chapter 2), and worldwide (chapter 3).

5. Major Issues

5.1 State-owned Commercial Banks

29. In addition to its commercial banking business, MEB has to shoulder numerous public duties as a fiscal agent of CBM as stipulated in section 25(j) of FIM Law. MEB needs to enhance its commercial banking expertise in order to compete with the increasing penetration by private banks. The extent to which MEB is financially burdened by its public obligations is not a part of public record; however, its productivity in terms of total deposit per employee is very low compared with that of Asia Wealth Bank, for example. (With only seven years of banking experience, AWB outstripped MEB in terms of total deposit and loan outstanding in 2000/01.)

30. Similar to other state-owned banks, MEB is a part of the Ministry of Finance and Revenue, and its managerial autonomy is less than complete. MEB urgently needs to invest in information and communications technology to upgrade its financial services but cannot possibly do it through its own financial source.

31. It is clear that MEB needs to endeavour to be more competitive with leading private banks both in terms of commercial banking services (such as transaction times for accepting deposits, transferring funds or making loans) and in measures for increasing profit and decreasing non-performing loans (tables 6-1, 6-2, 6-3, 6-4, and 6-5).

32. In Myanmar, state-owned banks and private banks are competing with each other in the field of financial services for the private sector. Given the managerial constraints mentioned above, in the medium-to-long-term future MEB might be obliged to streamline its scope of financial services and play a role of supplementing private bank activities.

5.2 Private Banks

Key customers

33. For private banks, key depositors are small- and medium-size enterprises (SMEs) and key borrowers are government and private traders. Government borrows money from private banks by issuing bonds. Impediments to the enhancement of private banks' financial intermediary function can be pointed out as follows.

- Government bonds occupy a major portion of private banks' portfolios. The impact is decreased economic development, compared with what would be the case if banks lent to the private sector, as the government will not deposit the borrowed money in private banks, thus reducing the multiplier effect of deposits. On top of this, the funds raised by government bonds are apt to be allotted to inefficient state economic enterprises, without financial market screening, resulting in an additional drain on the country's productivity.
- Small trading businesses use overdraft accounts to borrow money for short-term working capital. Trade sector businesses are more apt than production sector businesses to invest in gold, jewelry or properties that have nothing to do with productivity increase in the real sector. Even though SMEs are the key depositors, they deposit only a part of their idle cash. In the light of underdeveloped financial markets in the economy, they also invest in properties or informal money markets in order to hedge against the risks. This drainage of money from the formal banking sector to the informal financial sector (such as general service companies) is estimated to be substantial. Prevention of a bubble economy and maintaining macroeconomic stability continues to be the priority policy for CBM.

Service quality gap between state-owned banks and private banks

34. The transaction times at private banks are greatly different than those at state banks. A customer survey shows that depositing or withdrawing money takes about 10 minutes at private banks but about three or four times longer at state banks. Remittances take, more or less, 10 minutes at private banks but much longer at state banks. Customer prioritisation of bank improvement needs is first in interest rates and second in business hours in the case of private banks. In the case of state banks, more than half of the customers want shorter transaction times, and interest rate improvement was also mentioned frequently. The state-owned commercial banks need to pursue reform programmes for efficiency drive in order to cause healthy competition with private banks.

Sound banking, a prerequisite for financial system development

35. In parallel with facilitating economic development through banking and other financial activities, equal attention should be paid to sound banking, a prerequisite for financial system development. CBM requires that all licensed banks abide by prudential norms (regulations in terms of minimum reserves, liquidity control, risk asset ceilings [capital adequacy ratio], loan loss provision, and legal lending limits) to prevent financial systemic risk and protect depositors. CBM monitors bank financial soundness periodically as the supervision agency.

At times of rapid expansion of credit, however, prudent financial practices are apt to be deferred for future discussion, even if prudential regulations are in place. Actual enforcement of laws and regulations in the financial sector should be monitored continuously.

Risk management of private banks

36. A system for risk management, another important part of banking operations, is still in the development stage. Credit risks and market risks seem to be relatively high due to weak disclosure requirements and a vulnerable macro economic condition. Even viable private banks face the risk of bank runs caused by groundless rumor. This is why a risk management system is strongly required for the commercial banks in Myanmar. In order to contain non-performing loans, more prudent financial practices should be applied at each private bank. For example, the system for monitoring borrowers should be strengthened by adopting more frequent repayment of principal and interest, and by more strictly assessing borrowers' payback ability at the time of rolling over the maturity of their loans.

37. Organising an internal loan committee consisting of knowledgeable management personnel and external professionals as the decision making body for loan projects seems a good example.

38. Maintaining relatively high liquidity also may hedge the default or insolvency risks.

Governance structure of private banks

39. At the early stage of banking sector development in Myanmar, the credibility of many private banks is founded in the financial strengths and reputations of individual bank owners or parent companies. However, in the course of enlarging the number of general public depositors, the governance structure of bank management will have to become more independent in order to avert external risks of the banking system and protect depositors' interests. Out of twenty private banks, only two (First Private Bank and Myanmar Citizen Bank) are public companies with institutionally high transparency as they are subject to disclosure requirements stipulated by the Company Act.

Financial strength of private banks and disclosure of information

40. Among twenty private banks, only five banks are capitalised above 2 billion kyats. Lack of disclosure in financial statements may lower the public confidence in them and provide an environment that facilitates general public rumour, even when it is groundless. In addition,

strengthening the actual bank accounting practice in order to meet the ASEAN regional standard will also enhance the credibility of bank financial soundness.

41. Public company banks can list themselves at Myanmar Securities Exchange Centre as appropriate to facilitate the strengthening of their capital bases. However, considering the provisional stage of MSEC, time is required to design the comprehensive regulatory framework for listing and disclosure of information concerning the listing prerequisites.

5.3 Human Resource Development for the Banking Sector in Myanmar

42. Training programmes for employees are clearly lagging behind the rapid increase in newly employed staff and the swiftly changing financial environment.

43. Based on a tentative draft and frank and constructive discussions with Myanmar counterparts, we would like to deepen our research, in order to create a suitable human resource development framework, and work for preparation of an action plan for future implementation. Banking businesses need professional knowledge and skills. Speedy teller services and good governance with necessary risk management skills strengthen bank viability and attract customers. Therefore, hiring high-potential personnel is crucial for modernising bank services and achieving good performance in banking business.

6. Measures to be Taken into Consideration for Further Development of Banking Sector in Myanmar

44. In order to keep momentum in the development of Myanmar's banking sector, policy makers should take into consideration the fact that maintaining public confidence in fundamental commercial banking activities is important. Therefore, ensuring banking system sustainability, removing impediments to institutions' competitiveness, and improving peoples' access to financial services should be emphasised.

6.1 Policy measures for building a sounder financial system

45. Assurance of the soundness and stability of the financial system is a prerequisite for further banking sector development in Myanmar. However, at a time of rapid expansion of financial services, prudential practices are apt to be deferred for future discussion.
    - In order to protect depositors, we recommend that banks disclose their financial statements to the general public and at the same time, develop the sound accounting practice particular to banking sector.
    - The Central Bank of Myanmar should establish appropriate prudential norms to be put into actual practice by banks. A typical example is to establish a sounder monitoring and repayment system through introduction of both monthly (or more frequent) repayment and periodical monitoring of the credibility of borrowers in cases where loans are being rolled over.
    - In order to prevent repeated failures, we recommend that banks share amongst themselves periodically their information on delinquent customers and fraud in financial transactions.
    - In line with the Control of Money Laundering Law (enacted June 2002), effective actions will be taken against illegal money transactions, with deliberate consideration on ensuring soundness and stability in the financial system.
    - The Central Bank of Myanmar should mandate sound corporate governance in private banks by upgrading the existing establishment norms to reflect international standards. Review of article 3(a) of FIM Law is recommended, specifically looking to require that some private banks be established as shareholding companies. Shareholding companies would provide far sounder financial bases and bank management accountability. In modern market economies, banks must have shareholding company status. Institutions established as limited liability companies should be classified as finance companies.
    - CBM needs to establish accounting standards that enable domestic private banks to

compete and cooperate with foreign banks on equal financial bases.

- External auditing and publication of audited results should be compulsory for all financial institutions of relevant size and market presence. Detailed criteria should be set by CBM.

6.2 Policy measures for enhancing private banks' capacity to provide loans to the small-and-micro enterprise sector, to best serve the real sector productivity growth

46. Policy measures for enhancing private banks' capacity to accommodate the needs of enterprises in the real sector are as follows:
    - Encourage private banks to improve the access of the small-and-micro enterprise sector to commercial banking services by permitting them to gradually expand their branch networks into local areas, corresponding to the financial capacity of the banks concerned. The criteria for permits for new branches should be rationalised.
    - Support institutional capacity building (in financial intermediation) of banks in the course of their transformations from regional to nationwide banks. In parallel with enlarging their customer bases-from only individuals at the community level to also enterprises with wider scopes of business-private banks need to upgrade their bases for making loans from personal connections and mere collateral valuation to creditworthiness and managerial and financial sustainability of enterprises and projects. Human resource development (capacity to both assess borrowers' business plans before providing credit and monitor customer performance after providing credit), will be getting more important in order to minimise credit risk in the banking sector.
    - Mobilise longer-term funds by giving customers more incentive to save long term-incentives such as gradual adjustment towards positive interest (in real terms). Banks need to introduce more flexible lending rates, reflecting the individual credit risks of borrowers, in order to encourage more borrowing by small and microbusiness.

6.3 Policy measures for strengthening commercial banks' competitiveness in order to cope with ASEAN regional financial cooperation initiatives and open-up the financial market of Myanmar

47. In the April 2002 ASEAN Finance Minister Meeting in Yangon, member countries made commitments to further liberalisation of financial services in 2002. The financial crisis in Asia in 1997 and its subsequent impacts highlighted the fact that financial system

sustainability is critically dependent on increased competitiveness by domestic financial institutions.

- In order to enhance the competitiveness of commercial banks for the country as a whole, an appropriate division of works among state-owned banks and private banks needs to be reviewed in view of recent rapid progress of private banks' financial services.
- Private banks must be allowed to deal in foreign exchange business in order to strengthen their business bases in preparation for a gradual shift to full-fledged international banking. Lifting the ban on joint ventures between foreign and domestic banks would facilitate the transfer of know-how to domestic commercial banks from abroad.
- An inter-bank money market and treasury bond secondary market should be established in order to give commercial banks a better environment for liquidity management.
- Financial system stability is reviewed periodically in modern market economies. Assessment of the financial sector in Myanmar cannot be complete without examining its legal framework, focusing on the practice of law. The degree of promotion necessary to induce an efficient discharge of financial obligations should be measured in order to determine policy for further strengthening of the financial market.
- Nowadays, banking laws and regulations governing the legal status, organisation, and operation of banks are becoming uniform worldwide. A comparative study identifying possible differences would help prepare the Myanmar banking sector for modernisation.

6.4 Human Resource Development for the Banking Sector

48. Vital to further development of Myanmar's banking sector is human resource development in line with rapid growth and changes in commercial banking activities, with particular focuses on the three subjects mentioned above. Preferably joint initiatives that are most common among commercial banks such as a programme by the Myanmar Bankers' Association will be taken up as soon as possible in a sustainable manner. Furthermore, in order to catch up with ever-advancing international standards, private bank exposure to best international banking practices is urgent. Detailed analysis and proposals on the subject will be made in Part II.

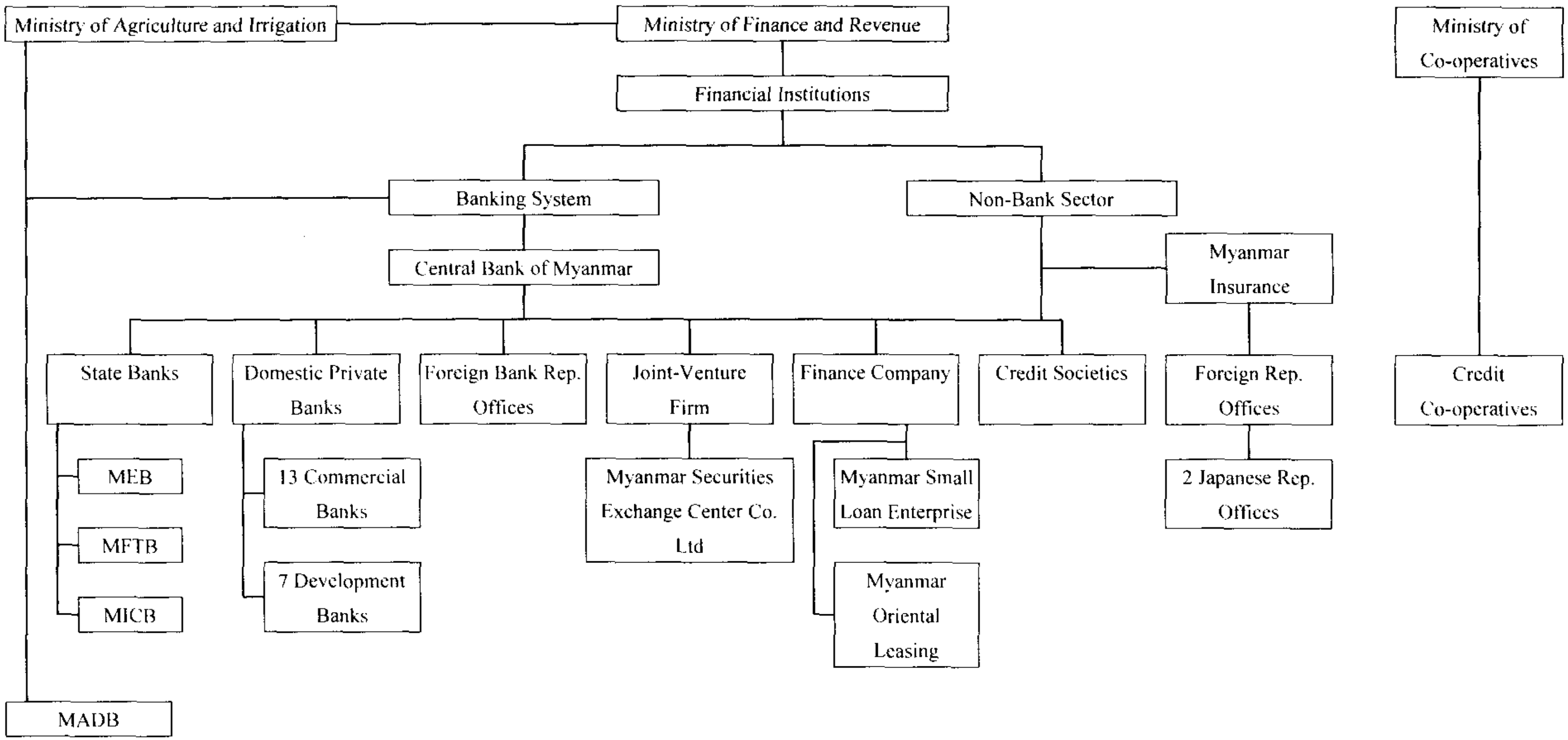
Table 1 GDP, Budget and Financial Activities in Myanmar

(kyat million [end of March])

	1992/93	1995/96	1996/97	1997/98	1998/99	1999/00
Nominal GDP	249,395	604,729	791,980	1,119,509	1,609,776	2,087,572
Government Revenue	20,735	39,215	54,528	87,363	116,411	106,927
Government Expenditure	33,245	78,709	106,618	145,670	210,288	217,459
Government Balance	(12,509)	(39,494)	(52,090)	(58,307)	(93,877)	(110,532)
Government Financing	12,509	39,494	52,090	58,307	93,877	110,532
- Foreign Loans	486	675	351	1,066	2,001	807
- TB Issuance	12,023	38,819	51,739	57,241	91,876	109,725
Total Deposits	25,671	75,111	110,042	145,789	210,360	319,518
- Demand Deposits	6,557	16,176	21,795	35,818	47,751	83,135
- Savings Deposits	19,114	58,935	88,247	109,971	162,609	236,383
Deposits at Private Banks	437	18,532	40,662	66,039	115,826	204,831
Deposits at State Banks	25,234	56,579	69,380	79,750	94,534	114,687
Total Loans	20,857	46,841	77,083	114,543	142,318	188,728
- To State-owned Institutions	40	17	17	17	17	7
- To Private Sector Total	20,817	46,824	77,066	114,526	142,301	188,721
- To Cooperatives	7,881	5,944	5,817	5,502	3,249	1,826
- To the Private Sector	12,936	40,880	71,249	109,024	139,052	186,895
Loans by Private Banks	190	13,400	31,273	51,207	71,367	114,732
Budget (Expenditure) to GDP	13.3%	13.0%	13.5%	13.0%	13.1%	10.4%
Deposits to GDP	10.3%	12.4%	13.9 %	13.0%	13.1%	15.3%
Loans to GDP	8.4%	7.7 %	9.7%	10.2%	8.8%	9.0%
Loans to Deposits	81.0%	62.4%	70.0%	78.6%	67.7%	59.1%
Private Banks' Share (Deposits)	1.7%	24.6%	37.0%	45.3%	55.1%	64.1%
Private Banks' Share (Loans)	0.9%	28.6%	40.6%	44.7%	50.1%	60.8%

Source: ADB Country Economic Report Dec. 2001.

Figure 1 The Financial System in Myanmar



MEB- Myanma Economic Bank
MFTB- Myanma Foreign Trade Bank
MICB- Myanma Investment and Commercial Bank
MADB- Myanma Agricultural Development Bank

Table 2 The Legal Framework of the Financial Institutions in Myanmar

Sr. No	Name of Institutions	Registration	Licence	Interest Rate Regulation	Supervision
1.	State-owned Banks				
a.	Myanma Economic Bank	*	*	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar
b.	Myanma Foreign Trade Bank	*	*	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar
c.	Myanma Investment & Commercial Bank	*	*	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar
2	Myanma Agricultural Development Bank	*	*	MADB Law and voluntary consideration to Central Bank of Myanmar rulings	Central Bank of Myanmar until 1996, then Ministry of Agriculture & Irrigation
3.	Semi-Government Banks				
a.	Myawaddy Bank Ltd.	Registrar of Companies	Central Bank of Myanmar	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar and the Ministry of Defence
b.	Innwa Bank Ltd.	Registrar of Companies	Central Bank of Myanmar	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar and the Ministry of Defence
c.	Sebin Thayar Bank Ltd.	Registrar of Companies	Central Bank of Myanmar	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar and the Ministry of Border Areas***
d.	Myanma Industrial Development Bank	Registrar of Companies	Central Bank of Myanmar	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar and the Ministry of Industry 1
e.	Livestock and Fishery Bank	Registrar of Companies	Central Bank of Myanmar	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar and the Ministry of Livestock and Fisheries
f.	Cooperative Banks	Registrar of Companies	Central Bank of Myanmar	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar and the Ministry of Co-operatives
4.	Private Banks	Registrar of Companies	Central Bank of Myanmar	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar
5.	Finance Companies				
a.	Myanma Small Loan Enterprises	*	Central Bank of Myanmar	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar
b.	Myanmar Oriental Leasing	Registrar of Companies	Central Bank of Myanmar	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Central Bank of Myanmar
c.	MSEC (DAIWA + MEB)	Registrar of Companies	**	**	Ministry of Finance & Revenue and Central Bank of Myanmar
6.	Credit Societies	Ministry of Finance & Revenue	Ministry of Finance & Revenue	Central Bank of Myanmar Law (art. 61) Regulations for Financial Institutions 12,13	Ministry of Co-operatives + YCDC + Ministry of Border Areas***
7.	Credit Co-operatives	Ministry of Co-operatives	Ministry of Co-operatives	Not Regulated	Ministry of Co-operatives
8.	Private Pawnshops (licensed)	Yangon Area: YCDC Outside Yangon: Ministry of Border Areas***	Local Authority Local Authority	None	YCDC Ministry of Border Areas***

* Registration not required under the government decree

** Pending

*** Complete name is Ministry of the Progress of Border Areas & National Races and Development Affairs.

Table 3.1 Trend in Bank Deposits

(kyat million [end of March], % growth)

	1998	1999		2000		2001 (Estimation)	
Total Deposit	145,789	210,360	44.3%	319,518	51.9%	485,000	52%
- Demand	35,818	47,751	33.3	83,135	74.1		
- Savings	109,971	162,609	47.9	236,383	45.4		
Deposit at Private Banks	66,039	115,826	75.3	204,831	76.8	334,000	63%
Private Banks Share to Total	45 %	55%		64%		68%	
Big Seven Penetration Ratio in Private Banks	-	83%		88%		90%	

Sources: ADB Country Economic Report Dec. 2001, Estimated by Interviews

Big Seven Private Banks: AWB, Yoma, Mayflower, Myawaddy, Oriental, Kanbawza, and Universal

Table 3.2 Trend in Bank Loans

(kyat million [end of March], % growth)

	1998	1999		2000		2001 (estimation)	
Total Loans	114,543	142,318	24.2%	188,728	32.6%	279,000	48%
- to State Enterprises	17	17	-	7	-		
- to Private Sector Total	114,526	142,301	24.2	188,728	32.6		
- to Cooperatives	5,502	3,249	-4.1	1,826	-43.8		
- to the Private Sector	109,024	139,052	27.5	186,895	34.4		
Loans by Private Banks	51,207	71,367	39.4	114,732	60.8	207,000	80%
Deposits at Private Banks	66,039	115,826	75.4	204,831	76.8	334,000	63%
Loan to Deposit Ratio at Private Banks	78%	62%		56%		62%	
Private Banks' Share to Total	45%	50%		61%		74%	
Big Seven Penetration Ratio among Private Banks		78%		83%		87%	

Sources: ADB Country Economic Report Dec. 2001; Interviews.

Table 4 Aggregate Financial Data of Five Leading Private Banks

Profit/Loss

(kyat million, %)

	1998-1999		1999-2000		2000-2001	
Interest Income	10,535	93.1	17,539	92.3	26,053	90.8
Other Income	785	6.9	1,459	7.7	2,633	9.2
Total Income	11,320	100.0	18,998	100.0	28,686	100.0
Interest Expenses	7,465	65.9	12,708	66.9	18,087	63.1
Other Expenses	1,590	14.0	2,688	14.1	5,830	20.3
Total Expenses	9,055	80.0	15,396	81.0	23,917	83.4
Net Income before Tax	2265	20.0	3,602	19.0	4,769	16.6
Net Income	784	6.9	1,367	7.2	985	3.4
Dividend	781	6.9	1,371	7.2	972	3.4
<Net Interest Income>	3,070	27.1	4,831	25.4	7,966	27.8

Balance Sheet

(kyat million, %)

	1999		2000		2001	
Cash & Accounts	21,723	19.7	24,309	12.6	37,169	11.0
Cash	12,274	11.1	18,437	9.6	27,838	8.3
Account at CBN	4,240	3.8	2,598	1.3	3,842	1.1
Account an other Banks	5,210	4.7	3,274	1.7	5,488	1.6
Loans & Advances	55,061	50.0	91,967	47.6	165,883	49.3
TB Investment	28,030	25.4	66,690	34.6	119,508	35.5
Other Equity Investment	224	0.2	323	0.2	324	0.1
Fixed Assets	2,532	2.3	4,529	2.3	6,302	1.9
Other Assets	2,174	2.0	4,334	2.2	6,244	1.9
Acceptances, Guarantee Per Contra	423	0.4	871	0.5	1,151	0.3
Total Assets	110,167	100.0	193,023	100.0	336,581	100.0
Deposits Account	96,961	88.0	172,499	89.4	281,775	83.7
Demand Deposit	31,762	28.8	56,222	29.1	98,798	29.4
Time Deposit	65,199	59.2	116,277	60.2	182,974	54.4
Borrowing (Against TB from CBM)	4,600	4.2	6,450	3.3	35,006	10.4
Other Liability A/C	3,434	3.1	4,543	2.4	4,954	1.5
Acceptances, Guarantee Per Contra	423	0.4	871	0.5	1,151	0.3
Total Liability	105,418	95.7	184,363	95.5	322,886	95.9
Paid-up Capital	2,519	2.3	5,069	2.6	7,190	2.1
Reserve	2,038	1.8	3,378	1.8	6,198	1.8
Rationed Profit	193	0.2	215	0.1	307	0.1
Total Shareholders' Equity	4,750	4.3	8,662	4.5	13,695	4.1

Financial Ratio

	2000	2001
ROA (= Net Income/Average Assets)	0.9	0.4
ROE (= Net Income/Average Equity)	20.4	8.8
Net Interest Margin (= Net Interest/Average Assets)	3.2	3.0
Net Spread (a) - (b)	5.4	4.4
Loans, Investment Yield (a)	14.5	11.7
Average Funding Costs (b)	9.1	7.3
Loans-to-Deposit Ratio (= Loan/Deposit)	53.3	58.9

* Five Banks: AWB, Yoma, Mayflower, Myawaddy, and Oriental
* These five banks cover roughly 85% of total deposits in private banking sector in Myanmar.
* All data have been collected by interviews for individual banks

Table 5 Interest Rate

Interest rate in Myanmar is tightly restricted by regulations and supervised by monetary authority. However, variations depending on the type of financial institutions are observed based upon current regulatory framework as shown below:

<table>
<tr><th>Financial Institution</th><th>Legal Document</th><th colspan="2">Interest Rate (Annual)</th><th>Remarks</th></tr>
<tr><td>Commercial Banks</td><td rowspan="4">CBM Law (Sec. 61), Regulations for Financial Institutions (Sec. 12, 13)</td><td rowspan="2">Minimum Payable</td><td rowspan="2">> CBM rate – 3%</td><td rowspan="4">By CBM notification from time to time</td></tr>
<tr><td>Investment or Development Banks</td></tr>
<tr><td>Finance Companies</td><td rowspan="2">Maximum Chargeable</td><td rowspan="2">< CBM rate + 6%</td></tr>
<tr><td>Credit Societies</td></tr>
<tr><td>MARD</td><td>MARD Law Sec.21 (b)</td><td colspan="2">Decided by MARD Board of Directors</td><td>Voluntary consideration to CBM rulings</td></tr>
<tr><td>Co-operative Credit Societies</td><td>Cooperative Society Law</td><td colspan="2">Decided by General Meetings</td><td>Based on bylaws</td></tr>
<tr><td rowspan="2">Money Lenders</td><td rowspan="2">Money Lenders Act Sec. 10</td><td>Secured Loan</td><td>≤ 12 %</td><td rowspan="2">Under local authority</td></tr>
<tr><td>Unsecured Loan</td><td>≤ 18%</td></tr>
<tr><td>Micro Finance</td><td>MOU with government</td><td colspan="2">Market Rate</td><td>Under supervision of INGOs</td></tr>
</table>

However, based on the Section 63 of CBM law, CBM reserves the right to intervene and impose compliance with any provision of section 61 whenever CBM considers necessary under the stipulated conditions.

Table 6.1 Customer Sector

Category	First	Second	Third
Total	37.6% Trade	9.9% Retired/Pensioner	7.3% Manufacturing
Private Bank Average	47.8% Trade	9.9% Manufacturing	3.8% Retired/Pensioner
State Bank Average	21.7% Retired/Pensioner	20.7% Government	17.4% Trade

Table 6.2 Reasons of Bank Selection (Multiple answers up to three)

Category	First	Second	Third	Fourth	Fifth
Total	47.8% Safe/Reliable	47.4% Convenient location	38.0% Quick service	18.2% Have to use	16.8% Attentive service
Private Bank Average	59.9% Convenient location	54.4% Quick service	46.7% Safe/Reliable	24.2% Attentive Service	22.0% Good remittance
State Bank Average	50.0% Safe/Reliable	43.5% Have to use	22.8% Convenient location	5.4% Quick service	2.2% Attentive service

Table 6.3 Purpose of Bank Usage (Usually) (Multiple answers)

Category	First	Second	Third
Total	64.6% Deposit	58.4% Withdraw money	36.1% Remittance
Private Bank Average	66.5% Deposit	53.8% Withdraw money	49.5% Remittance
State Bank Average	67.4% Withdraw money	60.9% Deposit	9.8% Remittance

Table 6.4 Service and Queuing Time for Depositing

Category (Unit: minutes)	Service time	Queuing time	Total
Private Bank Average	7.8	3.4	11.2
State Bank Average	27.5	10.9	38.4

Table 6.5 Service and Queuing Time for Withdrawing

Category (Unit: minutes)	Service time	Queuing time	Total
Private Bank Average	8.8	3.6	12.4
State Bank Average	28.6	15.5	44.1

(Source: YIE, 2001)

Part II

Human Resource Development Programme

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Introduction

1. The banking sector in Myanmar is expected to play a pivotal role in both economic development and stability as an indispensable infrastructure in terms of the following viewpoints.
   - The banking sector's role of providing necessary funds for vigorous private-sector-led growth in the process of transformation from a command economy to a market economy is becoming increasingly important.
   - Banks mobilise domestic savings by offering to depositors a liquid and safe store of value. This is particularly important for Myanmar due to the limited inflow of foreign direct investment, reflecting the international political and economic environment. Banks are expected to mobilise more funds from informal finance sector and/or general public.
   - Banks promote efficient and effective allocation of funds by screening and monitoring borrowers. One of the most significant roles of banks for economic development is the financial intermediary function, which contributes to enhancing the growth potential of the national economy. This role can be realised only after the banks establish a firm foundation of public trust—both through their financial strength, based on financial discipline, and through their enhancement of banking expertise in objectively assessing the creditworthiness of enterprises and projects.
   - The financial crisis in Asia in 1997 and its subsequent impacts highlighted the fact that financial system sustainability is critically dependent on increased competitiveness by domestic financial institutions. Strengthening commercial banks' competitiveness should be emphasised in order to cope with ASEAN regional financial cooperation initiatives and ever advancing globalisation of financial activities from the mid- and long-term viewpoints.

2. However, modernisation of the banking sector with regard to the points mentioned above is yet to be accomplished. Vital to further development of Myanmar's banking sector is human resource development through enabling policies for the banking sector and managerial improvements in line with rapid growth and changes in commercial banking activities.

1. The Present Situation and Problems of Human Resource Development and Modernisation of Banking Management in Myanmar

1.1 Approach Focusing on Integral Improvement in Three Factors: the enabling policy, management, and training programme of the banking sector in Myanmar

3. With the promulgation of the Central Bank of Myanmar Law and the Financial Institutions of Myanmar Law, the government allowed private banks to commence operations in 1992 as a policy for the banking business opening to private sector. Private banks have been playing increasingly substantial roles in development of the financial sector and the national economy. To date, twenty domestic private banks with more than twelve thousand employees are operating in Myanmar. As of October 2002, there were 245 branches of domestic private banks. Under the transition economy, the financial intermediary roles of banks become more and more important due to the growth of domestic deposit mobilisation.

4. The recent banking sector development in Myanmar is remarkable. Trends in the establishment of private banks and the list of existing private banks are shown in Annex Table 1. The number of private banks has gradually increased since 1992, and currently twenty private banks are providing commercial banking services. The private-bank branch network has also expanded and as of October 2002 it comprised 245 branches, up from 197 in September 2000. Private banks are operating in several models, from those operating nationwide branch networks with more than 1,000 employees to those operating only one branch with less than 100 employees.

5. However, there are still many issues to be considered in order to establish a firm foundation of public trust (by ensuring a sound financial system and improving financial service quality) and contribute to economic growth (by providing capital to real sectors that have higher productivity).

6. As the private banks have the big roles for developing Myanmar's economy, their credibility and durability are important. It is expected that the banking sector's stability would increase in Myanmar and the function of banks would spread in the society.

7. Thus, in this report, we will discuss an HRD programme which would integrate the banking sector with policy measures to improve the banking business environment and addresses

private-bank management issues.

1.2 Policy Measures for Improving the Banking Business Environment

8. The following table shows policy measures for improving the banking business environment. We listed them, by priority, in three major categories: building a sounder financial system, improving financial service quality, and strengthening international competitiveness. Furthermore, each issue is classified in accordance with urgency and/or the country's readiness to solve.

	Urgent Issues	Mid- and Long-term Issues
Building a sounder financial system	• Improving macroeconomic environment (controlling inflation, unifying foreign exchange rate, balancing fiscal budget) • Establishing autonomy of CBM • Clarifying actual situation of asset quality and NPLs of banks • Establishing prudential norms • Segregating policy lending from commercial banks • More information disclosure and transparency (including establishing accounting standards and external auditing system) • Preventing excessive speculation by introducing flexible interest rates that reflect inflation	• Introducing flexible lending rates that reflect individual credit risks of borrowers • Establishing inter-bank money market • Ensuring financial transparency of banks by forcing them to operate as public companies • Speeding up bankruptcy procedure and court action for foreclosure
Improving financial service quality	• Enhancing service quality through information communications technology (ICT) investment (including joint investment) • Establishing transparent criteria to be met by banks in order to qualify for opening new branches • Strengthening financial intermediary function through enhancing corporate and project appraisal capacity	• Reducing impediments to long-term loans (such as introducing interest rates that promote long-term deposits) • Establishing clear division of work between private banks and state-owned banks in commercial banking business • Improving quality and increasing variety of financial services
Strengthening international competitiveness	• Strengthening banks' financial stability • Establishing goals for efficiency (pursuing economy of scale and economy of scope) • Allowing private banks to operate foreign exchange business • Allowing private banks to form alliances with foreign banks to acquire know-how in banking operation	• Clarifying division of works between state and private banks in commercial finance services • Improving efficiency in liquidity management by reinforcing inter-bank money market and treasury bond secondary market • Strengthening commercial banks' competitiveness by allowing them to form joint ventures with foreign banks • Supporting adjustment with international standard of banking laws, regulations and practices

1.3 Improving Management of Individual Private Banks

9. The following table shows issues involved in improving the management of individual private banks. We grouped them into two categories: top level management improvement and banking operation improvement (which consists of three basic banking functions).

	Urgent Issues	Mid- and Long-term Issues
Top level management improvement	• Enhancing human resource development at the management level • Improving financial strength by reducing non performing loans • Enhancing capacity in credit analysis (both corporate and project) and credit monitoring • Enhancing capacity in risk management (such as asset liability management) • Increasing owners' equity capital • Improving management efficiency by introducing ICT • Improving transparency through compliance with law on disclosure	• Upgrading human resource abilities to regional standards • Upgrading all services and risk management to regional standards • Reorganising private banks into public companies in order to strengthen their capital bases and enhance public trust • Improving corporate governance structure • Strengthening the ICT system
Banking operation improvement (function 1) Remittance and fund transfer	• Upgrading human resources and expertise • Expanding inter-bank and intra-bank networks for remittance and fund transfer • Deploying ICT to improve service quality • Fostering non-cash transaction practice	• Upgrading operation efficiency and soundness of the financial system to regional standards • Improving service quality by developing an online inter-bank remittance and fund transfer system • Facilitating ICT modernisation by allowing alliance with foreign banks • Further developing non-cash transaction practice
Banking operation improvement (function 2) Deposits	• Reducing wide maturity gap between deposits and loans • Improving customer satisfaction by improving service, such as queuing time and speed of processing • Improving service efficiency and introducing new services by utilising ICT	• Providing attractive deposit interest rates, especially for longer-term deposits (preferably, positive real interest rates that encourage long-term depositing)
Banking operation improvement (function 3) Loans	• Making monitoring and repayment system sounder (introduction of monthly or shorter-term repayment system and penalty rates for defaulters) • Reducing ratio of overdraft loans (sounder cash & risk management) • Strengthening the risk management system. • Enhancing capacity in corporate appraisal and project evaluation	• Upgrading risk management system, such as building an internal credit rating system for the loan portfolio • Increasing capacity for long-term lending to projects with larger economic impacts • Providing funds to microfinance institutions (using adequate performance standards) for delivery of financial services to low income households

10. We will discuss concretely a banking sector training programme that incorporates trends in banking policies and management, with focus on the following factors: core implementing agencies, targeted trainees, priority subjects, implementing timeframe, recommended courses, and so forth.

1.4 The Necessity to Support a Private-Bank Training Programme

11. First, despite various issues to be solved under vulnerable economic conditions, private banks' access to overseas transfer of know-how is limited because they are not allowed to deal in foreign exchange business or to establish joint ventures with foreign banks.

12. Second, both the dispersion and the quality of employee capacity is clearly lagging the rapid expansion of banking activities and the swiftly changing financial environment.

13. Third, trainers' training is not well developed in spite of growing needs for trainers of the next generation. Senior bankers' (mostly recruited from state owned banks) who are currently conducting in-house training based on their long working experience in the banking sector should be trained as the trainers.

14. Fourth, many private banks have to explore a new paradigm by themselves (through reorganising their conventional banking know-how) because of inception of new financial services and their transformation from regional to nationwide banks through branch network expansion. Incidentally, training needs among private banks are increasingly diversified—according to their size, scope, or targeted customers.

1.5 The Present Situation of Human Resource Development in Myanmar

1.5.1 The present situation of HRD in banks

15. The Study team conducted a selective survey which covers 8 private banks. These banks are further categorised as large, medium and small based on the number of bank employee. Among 8 banks, which are under survey, there are two large banks that hold more than 1500 employees; four medium banks that maintain 500-1500 employees; and three small banks that have less than 500 employees. Annex Table 2 show banks under each category together with total employees and number of employee according to their positions such as executive,

manager, branch manager and freshman. Presently, small banks maintain about 300 employees; the medium banks keep 600 to 1500 employees; and the large banks hold about 2000 to 3500 employees.

16. Present training courses conducting in in-house training centre or training department by banks are described in Annex table 3. In large banks, workshops or seminars for executive level is conducting by hiring external resource persons both from local and foreign countries. Executive level courses are focused on specific subjects or topics such as customer service, credit analysis, financial management, and project management. Middle management level courses comprise refresher course, advance course, training for 2nd in-charges and 3rd in-charges, and specific subjects on human resource management, leadership skill and English language. Operational level courses include basic banking course, departmental transfer, refresher training, English course, bookkeeping and, accounting. Large banks are conducting 2 to 4 of the above-mentioned courses for middle management and operational levels.

17. One of the medium size banks is also conducting seminars for the executive level by hiring both local and foreign trainers for customer service course. Customer service course is also provided for middle management and operational levels. In middle management level, generally, one of the following courses such as assistant manager course, general banking, ICT and supervisory course is conducted. In operational level training, English, cash handling and security training courses are provided in addition to basic banking course for new recruits.

18. Compared to other larger banks, small banks cannot conduct complex training for all management and operational levels. Either basic banking course or refresher course is available for middle management level course. Basic banking course is only one course conducting in new recruits level.

19. The detail on the features of each layers training, the strong and weak points of training and future needs for staff training are described as follows.

Present situation of banking HRD programme in large banks

20. Currently, in-house training centres in large banks are operating with 10 to 17 permanent staff. In large banks, training courses are compulsory for all staffers. Achievement test is made for all courses. Outstanding performance results in opportunities for promotion. Course quality is evaluated by participants' assessment. Training departments make overall planning

annually, however, long-term structured plan for training programme cannot be set up yet. Currently, subjects concerned with domestic banking are covered but current issues on international banking practice are still lacking in private sector banks in Myanmar. More trainers need to link with OJT (on the job training) and teaching methodology should be upgraded. Trainers' training is required to update their knowledge and methodology. Weak points of training courses include lack of books and teaching materials. Materials need to be translated, resulting in extra time in preparing. Another problem is difficult to find part-time professional trainers. In addition, a more structured organisation and a wider curriculum on banking are needed. One of big banks works in coordination with another training centre, namely Stamford City Business Institute, sharing the resources. Because of this arrangement, they are able to operate both teaching centers at a minimum budget.

Present situation of banking HRD programme in medium banks

21. Medium banks are operating their training programmes with 2 to 6 permanent staffers. In-house training programmes are supplemented with departmental officials and external resource persons. Trainees are selected based on their knowledge requirement.
    Current training courses only adequate for local banking, therefore, international banking knowledge is needed in medium size banks. In addition, medium banks are facing limitation on budget allocation for training programme and as a consequence, bearing insufficient training facilities.

Present situation of banking HRD programme in small banks

22. In small banks, achievement test is also compulsory to every subject/course and the test scores has been linked with promotion opportunity. Overall plan for training programme is usually made annually and detailed plan is made either monthly or semi-annually. Like other banks, budget and facilities are limited in small banks, and suffer from lack of facilities.

Expected needs for staff training

23. Expected needs for banking courses are categorised into urgent needs and future needs. These needs are sub-categorised into courses on general management, banking operations, general banking knowledge and general knowledge according to the category of large, medium and small banks. Each level of training courses such as executive level, middle management level and operational level are further divided under each category of bank.

24. Annex Table 4 shows urgent training needs of banks under survey. Subjects need differ

according to size of banks and the level of courses. In large banks, urgent needs vary according to course levels. In medium banks, marketing strategy and ICT are common needs for executive and middle management level. Customer service is the main requirement for middle management and operational level course. In case of small banks, strategic management and marketing are needed in executive and middle management level courses. A particular feature in small bank is the need for English course in all level of training and computer literacy for middle management and operational level trainings.

25. Future training needs also reflect wide variety of subjects according to level of courses as shown in Annex Table 5. In large banks, project management, international banking and forex business are required for executive and middle management level training. Of course, ICT is the common needs for all three levels of training. In medium size banks, strategic management, development of corporate culture, customer service and stock market are future needs for executive and middle management level training. In this category, international banking and ICT are common needs for all three levels. In small bank, asset and liability management, on-line banking service and international finance are future needs for executive and middle management level training. Courses on capital market is needed by executive and operational level training and forex business and Money Laundering Law are common needs for all level of courses.

1.5.2 The present situation of HRD in Myanmar Bankers' Association (MBA)

26. Myanmar Banker's Association was established in 1 April 1999 in accordance with the resolution of the Trade Policy Making Council meeting No. 4/99. All private sector banks are constituted as members in the Myanmar Bankers' Association. The objectives of the Myanmar Banker's Association are:
    a) To assist the policy implementation for the promotion of the main economic sectors - Agriculture, Industry and Trade;
    b) To stabilise the value of Myanmar kyat both in domestic and abroad, in accordance with the policy laid down, with the co-operation of the banks;
    c) To uplift the co-operation among banks, to give help by one bank to another, and to provide leadership for supporting the benefit of the banks; and
    d) To cultivate banking habits among the general public.

27. The responsibilities of Myanmar Bankers' Association are as follows -

a) In order to develop a modern and sound banking system in Myanmar, Myanmar Bankers' Association must work under the supervision of the Ministry of Finance and Revenue and the Central Bank of Myanmar;

b) For the economic development of Myanmar, in accordance with the policy laid down, MBA must take the leadership role in getting cooperation among private banks in the financial sector;

c) It must work as a main channel of communication between the government institutions and the private banking sector;

d) Under the supervision of the Central Bank of Myanmar, it must encourage interrelationship among the banks of ASEAN member countries and between ASEAN Bankers' Association and private banks;

e) It must provide facts on banking business, advice and customer education to the general public;

f) In order to widely spread the use of computers at banks, MBA must negotiate and set up a common system of banking practices among banks, including practices on cheques, bank drafts, bills, remittances and agreements between banks and their customers;

g) It must have a research and statistics department in order to make a continuous study on local and external economy and financial matters;

h) It must establish a private banking school in order to provide banking training for the development of banking skills and knowledge and upgrading banking service quality;

i) It must prudently keep the information on internal remittances and bank loans and must issue banking bulletins systematically;

j) It must carry out the other duties as assigned by the Ministry of Finance and Revenue and the Central Bank of Myanmar.

28. The Chairman of the Myanmar Bankers' Association is the Governor of the Central Bank of the Union of Myanmar. A Vice Chairman and a Joint Secretary are chosen and appointed, by the Ministry of Finance and Revenue, among the Managing Directors of the state-owned Banks. The rest Executive members are elected from private banks and they all have the right to give decision on behalf of the bank represented. The elected Executive members are to be served for two years from the date of election.

29. One of the responsibilities of Myanmar Bankers' Association is to establish a private banking school in order to provide banking training for the development of banking skills and knowledge and upgrading banking service quality. In this regards, under the supervision of

Banking Training School sub committee, Myanmar Bankers' Association Basic Banking Course No. (1/2002) has been inaugurated in 16 August 2002.

30. The targeted participants for this basic banking course are supervisors or assistant managers from all private banks. Course capacity is designed to maintain 40 participants, 2 each from 20 private banks. However, actual participants were 38. This banking course was conducting during 16 August to 23 September 2002, in 5 weeks time or about 125 hours.

31. The senior officials and lecturers, totally 19, from various organisations such as the Central Bank of Myanmar, government banks and private banks, Office of Attorney General, Office of Auditor General, Institute of Economics, Cooperative College, etc., were giving lectures to this basic banking course. It was covered 17 subjects that are relevant to banking organisation.

Evaluation of MBA banking training course

32. This training course covers general knowledge and procedures of banking business. However, subjects of the training course are more theoretical based and the course duration seems to be absolutely short for the given contents.

33. Concern with the coverage of knowledge, almost all of the subjects cover wider scope, particularly, for domestic banking and legal framework. Subjects on banking operations seem to be more relevant to the participants, particularly, bank marketing, deposit, domestic banking, accounting, bank management, lending principle and practice.

34. Regarding assessment on training programme on the whole, it is evaluated that the quality of training facilities, scope of training materials and course coverage are at the average level. MBA should revise the course for basic, middle and higher level. Subjects and curriculum should be clearly specified. For some specific subjects, foreign trainers are needed.

35. There is a little difference between MBA's training and in-house training programme in the sense that MBA's training polishes basic banking skill. In-house training programmes are just trying to give basic banking principles.

36. The role of training programmes conducted by Myanmar Bankers' Association is becoming important besides in-house training programmes of individual banks. The expected roles

also include the trainers' training for private banks and dissemination of best practices of each banking business procedure. Inviting overseas trainers and specialists for training is one of the important roles. The introduction of correspondence courses for freshman and clerks in rural branches will be expected. Another expected role is preparing and maintaining overseas reading materials that meet Myanmar banking development for references.

37. Subjects offered in MBA's basic banking course are divided into the category related to management, saving, transfer, loan and others. This table shows that there are 3 subjects provided under general management category which include bank supervision, bank marketing and banking management portion from banking management and international commercial banking.

Subjects Analysis of Myanmar Banker Association Basic Banking Course (1/2002)

<table>
<tr><th>Management</th><th>Saving</th><th>Transfer</th><th>Loan</th><th>Others</th></tr>
<tr><td>Bank supervision</td><td>Bank and deposit</td><td>Foreign banking</td><td>Lending principle and practice</td><td>Principle of auditing</td></tr>
<tr><td>Banking management and int'l commercial banking</td><td></td><td>Bank and deposit</td><td>Business loan lending procedure</td><td>Auditing in practice</td></tr>
<tr><td rowspan="6">Bank marketing</td><td rowspan="6"></td><td rowspan="6"></td><td rowspan="6">Banking management and int'l commercial banking</td><td>Theoretical accounts</td></tr>
<tr><td>Accounting and practice</td></tr>
<tr><td>Role of C.B.M in Myanmar's banking system</td></tr>
<tr><td>Legal framework</td></tr>
<tr><td>Macro and micro economic</td></tr>
<tr><td>Money and banking</td></tr>
</table>

38. Saving column indicates that there is no specific subject focuses on saving in this course, just mention a portion of account opening procedure under bank and deposit subject. Regarding money transfer, foreign remittance is provided in foreign banking subject and local remittance is covered under bank and deposit subject, both are not covered very comprehensive.

39. However, MBA's training course provided more details in loan related subject compare to other subjects that include lending principle and practice, business loan lending procedure, international lending and credit analysis under banking management and international commercial banking.

40. It is recognisable that there are several subjects provided under others category that cover

basic banking tools such as accounting, money and banking; auditing; and general knowledge on macro and micro economics, legal framework and role of CBM.

1.6 Identification of Priority Areas for the Banking Sector HRD Programme

41. We will use the following criteria to identify priority areas (those with significant gaps between training and demand) to be addressed by the HRD programme.

1) Urgency of banking sector policies

   As we discussed earlier, we grouped training needs into three major categories, by priority: building a sounder financial system, improving financial service quality, and strengthening international competitiveness of banking activities.

2) External impact of the training programme

   Areas or subjects in which positive impact can be maximised through joint training of all private banks will be prioritised above those in which the impact depends on the institution. For instance, dissemination of best practices for enhancing financial discipline gives benefit even to leading banks through raising public trust in banks as a whole.

3) Areas or subjects in which only overseas sources have the know-how

   From the viewpoint of ODA provision, priority is given to know-how for which there is no domestic source. With due consideration to the level of urgency, we prioritised in five classifications: strategy and management; risk management; international banking and financial market; credit analysis and project management; and information and communications technology (see 3-1-2).

4) Effectiveness and efficiency of training implementation

   Emphasis will be put on trainers' training subjects rather than on basic subjects that can be covered in a corresponding course in the future. Trainers can disseminate their knowledge to their colleagues through in-house training (or on-the-job training) in their respective banks. Thus by linking trainers' training with in-house training we can expect maximum impact at minimum cost.

5) Possible immediate training effects

   Subjects with possible immediate training effects will be prioritised. Immediate effects can be materialised only when the learned know-how can be utilised under existing conditions at the institutions, facilities and so forth. For example, training on e-banking has less priority by this criteria considering the early stage of ICT development in the banking sector at the moment.

42. We will consider modalities of the training programme as well as priority areas and/or subjects that can be identified using the above mentioned criteria

2. Options for Implementing Banking Trainings

43. In order to implement such trainings, we will examine appropriate modalities. We suggest three options to implement banking trainings.

2.1 Expected Promgrammes by MBA

44. As described before MBA started its first training course this August. It is not trainers' training course. However, the experience of this course management know-how will be useful to start trainers' training course in MBA. Trainers' training in the banking sector contributes to developing bank staff's abilities in Myanmar. The dissemination effect is broad. From the viewpoint of these it is suitable for MBA to implement trainers' training course. The merit for using MBA as a training vehicle is that it is easy for member banks to use training course and it meets the purpose of MBA.

45. Also new MBA building will be built in 2004 and it will be used not only as a training centre but also as a banking library. Although this contributes to decreasing in the management cost of training course, member banks and training participants will still have to pay additional costs. When this course is supported by overseas technical assistance, MBA will be able to be the window of ODA.

46. Considering above elements, MBA seems to be suitable organisation for introducing new trainers' training course.

2.2 Expected Programmes by Myanmar-Japan Center for Human Resource Development

47. The Government of Myanmar and Japan have agreed to establish Myanmar-Japan Center for Human Resource Development (hereinafter the Center) in Yangon for promoting comprehensive human resource development support and exchanges. Their main activities are; Conducting business courses, Japanese language course, and cultural and other exchanges.

    After inception of the Center in 2003, actual implementation of various programmes are expected with the involvement of short-term and long-term experts from Japan in prior to the completion of new facilities of the Center in 2005.

48. Through this undertaking, overall adjustments on the support for HRD from Japan will become easier and recommendations of the ongoing Myanmar –Japan Joint Study for Economic Structural Adjustment will be reflected in the future programmes of Japan Center. Thus the support of HRD for the banking sector will be a promising agenda of the business courses of the Center with the support of Yangon Institute of Economics, considering the importance of the banking sector in the Myanmar economy.

49. Proposed syllabuses for the course in the Center are basically similar to the trainers' training course by the Myanmar Banker's Association mentioned above. However, targeted audiences will be broader than that of MBA, and policy makers and scholars will be included in addition to bankers'. Ad-hoc seminars by inviting Japanese and other foreign experts can be more flexibly organised for specific issues of emergency because of the cross-cutting nature of the Center.

2.3 Expected Programmes by an Independent Training School

50. Establishing an independent training school is another option. We have visited banking school named Institut Bank – Bank Malaysia (IBBM) in Kuala Lumpur. In the following, we will introduce IBBM because we believe that IBBM can be a good future model for training programme and Myanmar can learn many important issues from them.

2.3.1 The outline of Institut Bank – Bank Malaysia

About Institut Bank – Bank Malaysia

51. IBBM is a NPO that was established by banks in Malaysia for concentrating on banking training in 1977. IBBM is governed by a Council, which consists of representatives from Central Bank, the Association of Banks in Malaysia, Association of Finance Companies of Malaysia, Association of Merchant Banks in Malaysia, and members elected at the annual general meeting. Governor of Central Bank serves a chairman of the council of IBBM. Currently, IBBM has 86 institutional members and about 7,000 individual members. IBBM offers 400-500 training courses a year. Last year, IBBM trained 14,500 people.

52. In 1985, Central Bank established a "Staff Training Fund (STF)" to subsidise IBBM. The money for the fund came from member banks (IBBM call them "STF members." IBBM has 65 STF members.). For example, when Bank A sent its employees to IBBM and Bank B

didn't send any person to IBBM, Bank B had to pay the same amount of salary for Bank A's employees to STF.

53. IBBM has two major revenue sources: training course tuition fees and subsidy from STF. IBBM charges market price for training course tuition fees for non-STF members and charges discount price for STF members (about 50-60% of the non-STF price) because IBBM receives subsidy from STF. IBBM also charges annual membership fees. In 2001, IBBM had RM 3.6 million in revenue and RM 0.1 million in net surplus. Costs for developing textbooks are also covered by STF. IBBM's fixed assets were financed by zero coupon bond (RM 11.0 million, issued in 1992, 30-year maturity).

	2000		2001	
Revenue	RM	4,331,000	RM	3,643,708
Net Surplus	RM	109,443	RM	128,668
Net Assets	RM	9,979,035	RM	10,107,703

54. IBBM has 50 full time staff members (47 staffs at head office and 3 staffers at branches). IBBM do not have full time instructors because they believe that it is difficult to update their knowledge without experiencing actual banking operations. Most of the instructors are bankers' and ex-bankers'. Some instructors are from foreign countries such as US, Singapore, Australia, and Europe. IBBM has been creating a wide network for instructors and they believe that this becomes a strong advantage for IBBM. IBBM does not have many instructors from university professors because IBBM believes that they usually are too theoretical and know little about actual banking practices. Finding and maintaining good trainers are the major challenges for IBBM.

Major activities

55. IBBM has been engaging in three major activities: Continuing Professional Development (CPD) Programmes, Qualifications, and Information Centre.

CPD programmes

56. CPD Programmes include the following courses:
   - Audit and control
   - Banking laws
   - Credit
   - Front-line operations

- Human resource management
- Information technology
- International trade finance
- Investment & capital markets
- Marketing
- Risk management
- Treasury

57. In each topic, IBBM offers 3-4 different level courses. IBBM clearly identifies the targeted audience and objectives of each course. Although most of the courses are offered at the IBBM's head office building, some courses are offered at hotels in Kuala Lumpur or other places outside Kuala Lumpur. The length of the courses ranges from 1 hour to 2 weeks. Credit analysis, risk management, marketing, and selling are the four major areas that needs are high in Malaysia. Every year, IBBM revises its curriculum.

58. IBBM can customise its courses for specific bank's needs. Demands for customised in-house training are increasing. Sometimes non-bank companies participate IBBM's courses for treasury.

	Number of Programmes		Number of Training Days		Number of Participants	
	2000	2001	2000	2001	2000	2001
IBBM Head Office	138	121	419	337	3,750	3,510
IBBM Branches	74	63	161	109	1,860	1,862
In-house Training	186	392	510	1,125	4,151	9,143
Total	398	576	1,090	1,571	9,761	14,515

Qualifications

59. IBBM is organising the following banking qualifications:

General Banking Qualifications

- Banking and Financial Services Certificate (BFSC)
- Certificate in Offshore Financial Services and Administration (COFSA)
- Diploma in Banking and Financial Services (DBFS)

Specialist Banking Qualifications

- Certified Credit Professional (CCP)
- Certificate in Internal Auditing for Financial Institutions (CIAFIN)
- Pasaran Kewangan Malaysia Certificate (PKMC)
- *Certified Documentary Credit Specialist (CDCS)*

60. These qualifications are authorised by Central Bank. In addition, IBBM recently started Certified Risk Professional (CRP) Certification that is offered by BAI Center in the U.S. IBBM also offers study support programmes for preparing the examinations for these qualifications. This year, IBBM newly introduced 'E-tutorial Programme', a distance-learning programme using Internet.

Information centre

61. IBBM has a library that has a collection of more than 10,000 titles in the Head Office. In addition to the banking and finance related titles, the collection also includes economics, management and information technology titles. IBBM publishes 'Banker's Journal Malaysia' quarterly, and a bi-monthly newsletter named '@IBBM'.

2.3.2 Lessons to be learned from IBBM

62. From the case of IBBM, we can see that the following aspects are important for successful operation of a banking training school.
    - Strong central bank leadership for establishing and operating the institution
    - Strong financial support from member banks
    - Considerable amount of subsidy out of the staff training fund
    - Clear targeting of trainees
    - Wide global network of trainers

    We believe that IBBM will support Myanmar's training programme by generously sharing its knowledge.

2.4 Advantages and Disadvantages of New Trainers' Training Courses

63. Both advantages and disadvantages for three options mentioned above will be described. .

(Cost)

64. Implementing cost for new trainers' training will be high because this course needs new materials and some foreigner experts who have advanced knowledge and training technique. Especially if the new training course is started at an independent training school, it will have to cover the cost of not only the experts' fees but also total management cost including facilities. The training course by MBA will be expected to be supported by member banks. Myanmar-Japan Center programmme will be least costly by using ODA.

(Facilities)

65. MBA and Myanmar-Japan Center will build new buildings respectively. They will be able to provide training facilities easier than an independent training school.

(Management ability: efficiency)

66. MBA has experience of training management and has broad network related to the banking sector. They will be helpful for starting trainers' training course. MBA has the ability of training management.

67. Regarding Myanmar-Japan Center, although its management ability hasn't be estimated yet, it may have some difficulties in the first year because it won't have the experience in Myanmar. And Myanmar-Japan Center won't provide only banking training programme.

68. The merit of an independent training school is freer management than other organs. The training programme will be arranged depending on the focused objectives.

(Effectiveness)

69. MBA's dissemination effect of training is broad. The banking sector network has already been established and it is easy for MBA to cooperate with each member bank. The effect will be spread for not only banking staffs in Yangon but also staffs in rural branches through in-house training in each bank. Other organs' effectiveness seems to be limited compared to MBA.

Merits and Demerits of New Trainers' Training Course by Organisation

	MBA	Myanmar-Japan Center	Independent training school
Merits	- MBA can become the window of ODA - New building - Dissemination effect is broad - Focus on banking training	- Low cost (managed by Japanese government) - New building - Easy management for Myanmar side	- Freely management - Focus on banking training
Demerits	- Freedom of management is limited - Relatively low cost but banks pay additional costs	- The number of subjects will be a few - Dissemination effect is limited - Not concentrated to banking training	- High cost - No building, no space - Dissemination effect is limited - Not to be the window of ODA

3. Framework for Developing Training Programme

3.1 Recommended Methods and Subjects

3.1.1 Recommended methods

70. When we consider the target trainees for the training programme, we can divide them into three groups: officers and beginners, supervisors and managers, and top management. We recommend that three types of training courses should be designed according to each level of trainees. We understand that each group has different needs and therefore methods and trainers of each type should be different. In the following, we are going to discuss the courses one by one.

Training courses for officers and beginners (Type A courses)

71. Training courses for officers and beginners (new employees) have been done as in-house training in each bank. We call this type of courses 'Type A courses.' This type of courses mainly offer basic knowledge and skills such as accounting, cash handling, and banking operation procedures. General lectures and case studies should be the key methods. English courses and PC courses should also be provided by each bank, MBA, or individual educational institutions.

72. We believe that some of the courses can be standardised and shared among all the banks. Recently, MBA introduced training course of this type and we understand this is a good start to improve the level of training although there seems to have some rooms for further improvement. One suggestion for the course is to shortening the curriculum to four weeks because materials of the current course appear to be too much for the target trainees.

73. In the future, correspondence courses can be introduced for this type of training. Japan Bankers' Association has been organising correspondence courses for beginners since 1969 and Myanmar will be able to learn from their experience.

Training courses for supervisors and managers (Type B courses)

74. In Myanmar, training courses for supervisors and managers do not seem to be sufficient. We call this type of courses 'Type B courses.' This type of courses mainly offers higher-level knowledge and skills such as risk management, ICT, credit analysis, and general management

skills. In addition, trainers' training should one important aspect. Trainees are expected to disseminate in their organisations what they learned in the courses. Duration of this type of courses should be around two weeks.

75. Current major problem for this type of courses is that not many trainers in Myanmar are able to teach these subjects. For the most courses, experts from overseas who have actual experiences are needed. We will discuss the possibility of overseas assistance for bringing trainers in the later chapter. In the following, we will mainly discuss this type of courses.

Training courses for top management (Type C courses)

76. Training courses for top management are also lacking in Myanmar. We call this type of courses 'Type C courses.' This type of courses mainly offers advanced and latest issues for top management such as corporate strategy, marketing, international financial markets, and advanced risk management. Because of potential time constraint of trainees, duration of this type of the courses should be short. Offering one- or two-day seminars or one-week overseas study trip programme in specific subjects would be practical.

Targeted Trainees and Modalities

Course Type	Targeted trainees	Methods	Duration
A	New employees & officers	General lectures and case study (correspondence course)	Four weeks per course
B	Supervisors & managers (trainers)	Classified by special areas lectured by overseas experts	Two weeks per area
C	Top management	Workshops or seminars on specific subjects Overseas study trip programme	One day or two days One week

3.1.2 Recommended subjects

77. As we have discussed in the banking sector study, there are many issues to be solved or improved in the banking sector in Myanmar. Human resource development is one of the key possible solutions for those problems. From the study, we have identified some important areas that are crucial for modernising banking operations and therefore should be focused on the training for bankers'. We recommend the following five major areas to be included in the training programme:

- Strategy and management
- Risk management

- International banking and international financial market
- Credit analysis and project evaluation
- ICT

Strategy and management

78. We have found that there is an urgent need for training for executives and managers. As we have found in the banking sector study, each bank must establish clear corporate strategies, strengthen marketing functions, and improve customer satisfactions. Therefore, we recommend introducing courses that focus on strategy and marketing. In addition, we recommend introducing training courses for managers to enhance their management skills because we have found that the managers' training opportunities have not been enough in Myanmar.

Risk management

79. Risk management has become one of the most important issues in the banking sector in developed countries during the last decade. Its importance has also confirmed in ASEAN countries after financial crisis in 1997. Due to the innovations of ICT and the improvement of risk- measurement technologies, tools and techniques for risk management have been developed rapidly. For the banking sector, risks can be categorised in four types: financial risks, operational risks, business risks, and external event risks. We recommend introducing courses that mainly focus on financial risks and operational risks.

Type of Risks	
Financial risks	credit risk, liquidity risk, interest rate risk, market risk, foreign exchange risk, balance sheet risk
Operational risks	business strategy risk, internal system risk, technology risk, mistake, fraud
Business risks	legal risk, financial infrastructure risk, country risk, systemic risk
Event risks	political risk, financial crisis risk, natural disaster risk, other external risks

International banking and international financial market

80. Currently, international banking is not allowed for private banks. However, we have recommended in the banking sector study that international banking operations should be allowed for private banks in the future. Therefore, we recommend introducing courses for international banking (international trade, foreign exchange, etc.) and international financial market in order to be ready to start international function. In addition, we believe that having a good knowledge of international finance market (New York, London, Tokyo, etc.), global financial players, and financial products (derivatives, stocks, bonds, etc) is critical to deal

with foreign financial institutions in the future.

Credit analysis and project evaluation

81. As we have mentioned in the banking sector study, enhancing a capacity of credit analysis and project evaluation is important in building a sounder financial system and enhancing the intermediary function. Private banks should make their loan decision from the careful credit analysis, not from personal connection and mere collateral evaluation. In the long-term, this capacity will determine the level of NPLs and overall profitability of each bank. Bankers' need to understand and use methodologies for evaluating, monitoring, and managing credit risks of the loan portfolio.

ICT

82. ICT is one of the key drivers for modernising banking operations. By utilising ICT effectively, banks will be able to improve their service quality, introduce new type of services, and improve efficiency and productivity of their services. We recommend introducing courses for bankers' to understand recent technology innovations and applications of ICT for their businesses.

Recommended courses and time schedule

Type A courses

83. General banking course organised by MBA should continue. Curriculum and methods should be reviewed according to the needs and feedback. We recommend introducing correspondence courses that complement those courses in 2006.

Type B courses

84. We recommend launching six 'urgent' courses in 2003. For the next year, additional five 'urgent' courses should be started. In addition, we recommend introducing first five 'future' courses in 2005 and last five 'future' courses in 2006. Finally, total 21 courses (eleven 'urgent' courses and ten 'future' courses) will be lined up and continue. Each course should be offered twice a year except 2003 (because time for preparation will be needed in 2003).

Type C courses

85. Courses for top management should be introduced in 2004. One- or two-day ad-hoc seminars in specific fields will be typical. Trainers of type B courses will be lecturers of these courses.

86. The following table shows the time schedule and recommended courses.

Time Schedule of the Training Courses

Course Type	2003	2004	2005	2006	2007
A	MBA general course continues	→	→	→ Correspondence course starts	→ →
B	Six urgent courses start	Six urgent courses continue and five additional urgent courses start	Eleven urgent courses continue and five future courses start	Eleven urgent courses and five future courses continue, and five additional future courses start	Total twenty-one courses continue
C		Courses start (Ad hoc seminars)	→	→	→

Recommended Training Courses

Subjects	Courses	Urgent or Future	Objectives	Related fields to be improved
Strategy and Management	Banking marketing and customer satisfaction	Urgent	Enhancing public confidence Strengthening competitiveness	Management Improvement
	Branch management	Urgent		
	Fund transfer	Urgent		
	Developing supervisory skills	Urgent		
	Accounting, auditing, and performance evaluation	Urgent		
Risk Management	Compliance	Urgent	Building a sounder financial system	Establishing sound banking and management improvement
	Operational risk management	Future		
	Asset and liability management (ALM)	Future		
	Liquidity management	Future		
International Banking and International Financial Market	International regulations and money laundering law	Urgent	Understanding global rules Preparing for international banking business	Establishing sound banking and enhancing banking operation
	International trade finance	Future		
	Foreign currency exchange	Future		
	Derivatives	Future		
	International financial market	Future		
Credit Analysis and Project Evaluation	Methodologies of corporate analysis	Urgent	Building sounder financial intermediary function	Building a sounder banking system and improving banking operation
	Evaluation of SME business plan	Urgent		
	Credit monitoring	Urgent		
ICT	ICT and management	Urgent	Establishing effective and efficient banking operation	Improving financial service quality and banking operation
	Advanced ICT in banking business	Future		
	Security in information system	Future		
	Database management system	Future		

87. The following table evaluates how each course meet with prioritisation criteria that are discussed in chapter 1.

Meeting Criteria

Subjects	Courses	Urgent or Future	Criteria 1	2	3	4	5
Strategy and Management	Banking marketing and customer satisfaction	Urgent	A	B	A	A	A
	Branch management	Urgent	A	B	B	A	A
	Fund transfer	Urgent	A	A	A	A	A
	Developing supervisory skills	Urgent	A	B	B	A	A
	Accounting, auditing, and performance evaluation	Urgent	A	A	A	A	B
Risk Management	Compliance	Urgent	A	A	B	B	A
	Operational risk management	Future	B	B	A	A	C
	Asset and liability management (ALM)	Future	B	B	A	A	C
	Liquidity management	Future	B	B	A	A	C
International Banking and International Financial Market	International regulations and money laundering law	Urgent	A	A	A	B	B
	International trade finance	Future	B	A	A	B	C
	Foreign currency exchange	Future	B	A	A	B	C
	Derivatives	Future	B	A	A	B	C
	International financial market	Future	B	A	A	B	C
Credit Analysis and Project Evaluation	Methodologies of corporate analysis	Urgent	A	A	A	B	A
	Evaluation of SME business plan	Urgent	A	A	A	B	A
	Credit monitoring	Urgent	A	A	A	B	B
ICT	ICT and management	Urgent	A	A	A	B	B
	Advanced ICT in banking business	Future	B	A	A	B	C
	Security in information system	Future	B	A	A	B	C
	Database management system	Future	B	A	A	B	C

Criteria 1: Urgency of banking sector policies

Criteria 2: Externality of training programme impact

Criteria 3: Areas or subjects in which no domestic know-how exist but depending on overseas

Criteria 4: Effectiveness and efficiency of training implementation

Criteria 5: Possible immediate training effects

A: Meets the criteria

B: Neutral

C: Does not meet the criteria

3.2 Recommended Training Courses in the Short Term

88. In the short-term (in 2003-2004), we recommend launching ten courses that correspond to urgent needs that we have observed. Brief descriptions of recommended courses are listed bellow.

Strategy and Management

89. In the area of strategy and management, we recommend to include the following four courses:
    - Banking Marketing and Customer Satisfaction
    - Branch Management
    - Fund Transfer
    - Developing Supervisory Skills
    - Accounting, Auditing, and Performance Evaluation

90. Course title: **Banking marketing and customer satisfaction**
    Target Trainees: Executives and managers who are in charge of strategy and marketing.
    Course outline and objectives: In this course, trainees will learn how to form an effective marketing strategy, how to establish competitive advantage, how to identify potential market and introduce new products or services to fulfill that need, and how to enhance customer satisfaction.

91. Course title: **Branch Management**
    Target trainees: Branch managers
    Course outline and objectives: In this course, trainees will learn how to manage their branches effectively, how to solve specific problems that branches may face, how to manage the relationship with customers, and how to manage the relationship with head office.

92. Course title: **Fund Transfer**
    Target trainees: Managers who are in charge of fund transfer operation
    Course outline and objectives: In this course, trainees will learn how to build an efficient fund transfer system and accurate operation procedures. This course will also touch many issues in the area of international banking, risk management, and ICT.

93. Course title: **Developing Supervisory Skills**
    Target trainees: Managers and supervisors

Course outline and objectives: In this course, trainees will learn how to manage their division or team effectively, how to solve specific problems that managers or supervisors may face, how to improve leadership and communication skills, and how to manage, evaluate and motivate their subordinates.

94. Course title: **Accounting, Auditing, and Performance Evaluation**
Target trainees: Internal auditors, executives, and senior managers
Course outline and objectives: In this course, trainees will learn how to establish an effective performance evaluation system, how to improve the internal audit system using new techniques and technologies, and how to improve capacity for enhancing the internal management system.

Risk Management

95. In the area of risk management, we recommend to include a compliance course to manage legal risks.

96. Course title: **Compliance**
Target trainees: Managers, branch mangers, and legal officers
Course outline and objectives: In this course, trainees will learn about legal risks, financial laws and rules, penalties for violating them, and importance of compliance.

International Banking and International Financial Market

97. In the area of international banking, we recommend to include a course for international regulations and money laundering.

98. Course title: **International Regulations and Money Laundering Law**
Target trainees: Managers, branch managers, and legal officers
Course outline and objectives: In this course, trainees will learn international regulations regarding financial operations (BIS regulation etc.), responsibilities of their employees to comply with money laundering law, and laws and practices of overseas to prevent money laundering.

Credit Analysis and Project Evaluation

99. In the area of credit analysis and project evaluation, we recommend to include the following three courses:

- Methodologies of Corporate Analysis
- Evaluation of SME Business Plan
- Credit Monitoring

100.Course title: **Methodologies of Corporate Analysis**

Target trainees: Managers, branch managers, and officers who are responsible for credit analysis and lending.

Course outline and objectives: In this course, trainees will learn different approaches and methodologies for evaluating credit risks of the loan projects, how to determine a corporate borrower's creditworthiness and solvency, and how to identify and mitigate risks to prevent potential loan losses.

101.Course title: **Evaluation of SME Business Plan**

Target trainees: Managers, branch managers, and officers who are responsible for credit analysis and lending. (Entrepreneurs in SME.)

Course outline and objectives: In this course, trainees will learn about characteristics of SMEs, how to evaluate business plans of SMEs, and how to help creating sound business plans.

102.Course title: **Credit Monitoring**

Target trainees: Managers, branch managers, and officers who are responsible for managing loan portfolio.

Course outline and objectives: In this course, trainees will learn how to manage and monitor their loan portfolios, how to recognise and respond to warning signals of credit quality, how to maintain communication with borrowers.

ICT

103.In the area of ICT, we recommend to include a course that focus on the relationship between ICT and management.

104.Course title: **ICT and Management**

Target trainees: Executives and managers who are in charge of ICT.

Course outline and objectives: In this course, trainees will learn how to utilise ICT for modernizing banking operations, introducing new services, and improving internal risk management systems. The course will also introduce best practices of overseas regarding electronic banking.

3.3 Recommended Training Courses in the Long Term

105.In the long-term (in 2005-2006), we recommend launching additional ten courses that correspond to future needs. Brief descriptions of recommended courses are listed bellow.

Risk Management

106.In the area of risk management, we recommend to include the following three courses:

- Asset and Liability Management
- Operational Risk Management
- Liquidity Management

107.Course title: **Asset and Liability Management (ALM)**

Target trainees: Executives, heads of departments, managers who are responsible for finance and risk management

Course outline and objectives: In this course, trainees will learn how to measure, monitor and control the balance sheet risks, techniques of ALM (financial risk evaluation, value at risk, simulation, etc.), and how to establish ALM strategy.

108.Course title: **Operational Risk Management**

Target trainees: Executives, heads of departments, managers who are responsible for operations and risk management

Course outline and objectives: In this course, trainees will learn how to measure, monitor and control operational risks, how to improve the internal policies and control system to mitigate operational risks, and how to establish operational risk management strategy.

109.Course title: **Liquidity Management**

Target trainees: Managers who are responsible for financial management

Course outline and objectives: In this course, trainees will learn how to measure, monitor and control liquidity positions, how to manage the cash-flow mismatch between funding and lending and, how to establish contingency plans.

International Banking and International Financial Market

110.In the area of international banking and international financial market, we recommend to include the following four courses:

- International Trade Finance
- Foreign Currency Exchange
- Derivatives
- International Financial Market

111. Course title: **International Trade Finance**

Target trainees: Managers and officers who will be responsible for trade finance

Course outline and objectives: In this course, trainees will learn about trade documents, documentary credits, letters of credit, and risks in trade finance transactions. The course will mainly focus on overseas practices and procedures.

112. Course title: **Foreign Currency Exchange**

Target trainees: Managers and officers who will be responsible for foreign exchange

Course outline and objectives: In this course, trainees will learn about foreign exchange transactions, international practices, and how to measure and manage foreign currency exchange risks.

113. Course title: **Derivatives**

Target trainees: Managers who will be responsible for international banking

Course outline and objectives: In this course, trainees will learn about basic knowledge about derivatives such as swaps, options, and forwards that are expected to be available in foreign markets.

114. Course title: **International Financial Market**

Target trainees: Executives and managers who will be responsible for international banking

Course outline and objectives: In this course, trainees will learn about international financial markets (New York, London, Tokyo, etc.), global financial players, and financial products such as derivatives, stocks, and bonds.

ICT

115. In the area of ICT, we recommend to include the following three courses:

- Advanced ICT in Banking Business
- Security in the Information System
- Database Management System

116. Course title: **Advanced ICT in Banking Business**

Target trainees: Executives and managers who will be responsible for ICT

Course outline and objectives: In this course, trainees will learn about advanced ICT banking business such as Internet banking, cellular phone banking, and global fund transfer system network. The course will focus on introducing best practices of overseas including Singapore, Japan, and the U.S.

117. Course title: **Security in the Information System**

Target trainees: Executives and managers who will be responsible for ICT

Course outline and objectives: In this course, trainees will learn about technology of security in information systems that has been becoming critical issues in developed countries. The course will focus on introducing best practices of overseas including Singapore, Japan, and the U.S.

118. Course title: **Database Management System**

Target trainees: Executives and managers who will be responsible for ICT

Course outline and objectives: In this course, trainees will learn about database technologies and applications of database technology in banking business (customer database, loan portfolio database, transaction database, credit information database, etc.). The course will focus on introducing best practices of overseas including Singapore, Japan, and the U.S.

3.4 Problems to be Solved to Implement Recommended Courses

Trainers fees

119. Since all trainers should come from overseas (mostly from Japan), the trainers fees may become expensive. In our experience, the standard monthly salary for a Japanese trainer ranges from $6,000 to $10,000. In addition, their travel and hotel fees will have to be covered. In a later chapter, we will discuss how we can reduce those costs.

Selecting suitable trainers

120. Another big issue is to find suitable trainers. Selecting trainers with appropriate backgrounds, real-life experiences, strong passion to teach, and high motivation to assist Myanmar's banking sector is crucial for success. If the situation permits, we might be able to assist in finding people with those characteristics in Japan and other countries.

Textbooks and materials

121. We should also consider cost for textbooks and materials. Although many Myanmar people have good English skills, it will be more effective to use Myanmar language materials. Also, we understand that many Japanese materials are useful and it will be worthwhile to translate them into the Myanmar language. Myanmar should seek overseas assistance in acquiring, translating, and developing those materials.

Linkage with government organisations

122. We believe that strengthening linkages between the training programme and government organisations such as the Central Bank of Myanmar and the Attorney General is quite important. As we have stressed previously, the human resource development programme should be integrated with policy measures for improving banking business. We recommend that government be involved in this training programme in order to enhance communication between the two.

Trainers' training and OJT

123. The training programme we are recommending focuses on trainers' training. The programme mainly targets the manager level. We expect the trainees to disseminate what they learn to their subordinates after they finish the programme. Also, enhancing the on-the-job training is a key to enhancing the dissemination of knowledge, know-how, and best practices.

4. Financial Sustainability of the Training Programme

4.1 Necessity of Financial Sustainability of the Training Programme

124.As we have seen in the IBBM case, securing financial sustainability is crucial to operating the training programme successfully in the long-term. In this chapter, we will discuss how to crate and maintain financial sustainability for the training programme. We will especially focus on the cost estimation of the recommended programme and how to reduce each cost in order to enhance financial sustainability.

4.2 Trial Cost Estimation of the Training Programme

125.We have conducted a trial cost estimation on the training programme for the next five years. The purpose of the estimation is to understand the expected cost structure and find ways for reducing each cost, by utilising ODA for example. The figures may change slightly if we change some key assumptions, but the estimations will provide a clear picture of approximate cost and the approximate amount of overseas assistance needed.

Assumptions of cost estimation

126.The following table shows the assumptions we have made to calculate the cost estimation of the training programme. Since it is almost impossible to estimate future inflation rates, we calculated the estimated cost in real terms. We excluded office and facility expenses because we assumed that either the Japan Center or the Myanmar Bankers' Association would allow the use of their building and facilities.

Assumptions:

Number of courses in the programme each year	6 courses in 2003 11 courses in 2004 16 courses in 2005 21 courses in both 2006 and 2007 (see chapter 3)
Programme frequency	Twice a year except 2003
Duration of the course	0.5 months per course
Monthly salary of overseas trainers (direct expence)	10,000,000 kyats per month (from interviews)
Actual number of overseas trainers	5 trainers in 2003 8 trainers in 2004 1 trainer in 2005 15 trainers in 2006 and 2007 (some trainers teach 2 or 3 courses)
Travel expense of overseas trainers	4,000,000 kyats per trainer (assume round trip from Japan)
Hotel expense of overseas trainers	3,600,000 kyats per month per trainer
Size of administrative staff	2 persons in 2003 3 persons in 2004 4 persons in 2005 5 persons in 2006 and 2007
Monthly salary of administrative staff members	500,000 kyats per month per person (from interviews)
Administrative expenses	1.0 * salaries of administrative staff persons (almost the same rate as IBBM)
Inflation	All numbers are in real terms (does not estimate future inflation)
Other assumptions	Costs for developing textbooks and materials are excluded in the cost estimation. (assume those costs are charged in tuition fees) The programme does not borrow any money. (assume no interest payment)

The result of cost estimation

127.The following table shows the result of our cost estimation. The total annual cost (in real terms) is estimated to be 76 million kyats in 2003, 183 million kyats in 2004, 261 million kyats in 2005, 335 million kyats in 2006, and 335 million kyats in 2007.

Cost Estimation (kyats)

	2003	2004	2005	2006	2007
Salary of Overseas Trainers	30,000,000	110,000,000	160,000,000	210,000,000	210,000,000
Travel & Hotel Expenses	22,160,000	36,950,000	52,800,000	65,040,000	65,040,000
Salary of Administrative Staff Persons	12,000,000	18,000,000	24,000,000	30,000,000	30,000,000
Administrative Expense	12,000,000	18,000,000	24,000,000	30,000,000	30,000,000
Total Annual Cost	76,160,000	182,950,000	260,800,000	335,040,000	335,040,000

Assumptions (kyats)

	2003	2004	2005	2006	2007
Number of Courses in the Programme	6	11	16	21	21
Programme Frequency	1	2	2	2	2
Total Number of Courses per Year	6	22	32	42	42
Duration per Course (months)	0.5	0.5	0.5	0.5	0.5
Trainer Man-Months per Year	3	11	16	21	21
Monthly Salary of Overseas Trainers	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Actual Number of Overseas Trainers	5	8	12	15	15
Average Duration of Stay per Trainer (months)	0.6	1.4	1.3	1.4	1.4
Travel Expense per Trainer (round trip)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Hotel Expense per Month per Trainer	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Number of Administrative Staff Persons	2	3	4	5	5
Monthly Salary of Administrative Staff Persons	500,000	500,000	500,000	500,000	500,000
Administarive Expense / Administrative Salary	1.0	1.0	1.0	1.0	1.0

4.3 Alternatives for Enhancing Financial Sustainability of the Training Programme

Utilising Japanese ODA assistance

128.One possible solution to reduce total cost of training programme is utilising Japanese ODA assistance. The study team is expecting that Japanese ODA programme could dispatch Japanese experts and provide facility such as computers and projectors. We will further discuss this issue in the later chapter.

Inviting trainers from other ASEAN countries

129.Another possible solution to reduce total cost is inviting trainers from other ASEAN countries.

There are many banking training institutions in ASEAN and other Asian-pacific countries. Trainers from those countries probably charge lower salary fees and travel expenses than Japanese trainers. The following table shows member institutions of Asian-Pacific Association of Banking Institutes (APABI) and ASEAN Bankers' Association. They are possible sources for trainers.

Members of APABI

Australia	Australian Institute of Banking and Finance, Inc
Canada	The Institute of Canadian Bankers'
China	The People's Bank of China
Hong Kong	Hong Kong Institute of Bankers'
India	Indian Institute of Bankers', National Institute of Bank Management
Indonesia	The Indonesian Bankers' Institute
Japan	Japanese Bankers' Association, Federation of Bankers' Association of Japan
Korea	Korea Banking Institute
Macau	Monetary and Foreign Exchange Authority of Macau
Malaysia	Institut Bank-Bank Malaysia
Mongolia	The Bank of Mongolia
Pakistan	The Institute of Banker in Pakistan
Papua New Guinea	Papua New Guinea Institute of Bankers'
Philippines	Ateneo-BAP Instituite of Banking, Bank Administration Institute
Taiwan	Taiwan Academy of Banking and Finance
Singapore	The Institute of Banking and Finance-Sinagapore
Sri Lanka	Institute of Bankers' of Sri-Lanka
Thailand	The Thai Institute of Banking and Finance Assotiation
Vietnam	National Banking Institite of Vietnam

ASEAN Bankers' Association

Establishment	1976
Office of Secretary General	Singapore
Objectives	- To accelerate economic growth of the ASEAN countries through collaboration among its member banks - To promote the development of the banking and financial system and profession in the ASEAN countries - To foster friendship and co-operation among bankers' in the ASEAN countries - To activate collaboration of its institutions and provide assistance to one another when necessary - To identify growth opportunities for ASEAN banks and to promote their common interests
Members	The Brunei Association of Banks Federation of Indonesian Association of Banks Myanmar Bankers' Association The Association of Banks in Sinagapore Vietnam Bankers' Association The Association of Banks in Cambodia The Association of Banks in Cambodia The Association of Banks in Malaysia Bankers' Association of the Philippines The Thai Bankers' Association

Establishing a training fund

130.Like the IBBM case, establishing a training fund is another good idea for enhancing the financial sustainability of the training programme. In that case, banks should contribute a considerable amount of money for the fund. However, since the training programme will benefit the entire banking sector in Myanmar in the long term, we believe this investment will pay off eventually.

Charging relevant tuition fees

131.Not all costs can be covered by ODA and other sources of subsidy. We have to consider charging relevant tuition fees to the trainees. This is also important to avoid moral hazard and free-riding problems. However, if the tuition fees are too expensive, it will significantly discourage participation. Setting appropriately sized tuition fees is a key for enhancing financial sustainability of the training programme.

5. The Present Situation of ODA and Expected Technical Assistance for HRD of the Baking Sector

5.1 The Present Situation of ODA

132. Assistance in human resource development of the banking sector of Myanmar is conducted mainly through ODA. Attaining such assistance from overseas private financial institutions is difficult, as foreign banks are facing restrictions in activities such as establishing joint-venture companies or opening new branches. The International Bureau of the Ministry of Finance and Revenue is in charge of the ODA received for financial institutions. In 2002 (as of November 2002), 102 programmes (2,822 days in total) have been conducted, either domestically or overseas, by five international institutions and seven countries. More than half of those programmes were conducted by the IMF, followed by Japan, which provided 21 programmes (572 days in total), including one conducted jointly with other institutions. Characteristics of such HRD programmes are as follows.

- Beneficiaries are the Ministry of Finance and Revenue, the Central Bank of Myanmar and the state-owned commercial banks, and assistance is very limited to private financial institutions.
- The World Bank and the Asian Development Bank have not conducted these HRD programmes for the banking sector, and few countries are providing these programmes as bilateral technical assistance.
- Very few programmes aim at assisting improvement in institutional capacity of financial institutions systematically through providing trainers' training; most training focuses mainly on capacity building of officials of financial supervisory agencies.

Overseas Assistance for the Financial Sector in Myanmar
(mainly for the Central Bank of Myanmar, as of November 2002)

No.	Name of Agency	Number of Times	Training Days
1	IMF	45	1,295
	(Japan)	(2)	(377)
2	UNDP	2	4
3	ASEAN	8	62
	(Japan)	(1)	(2)
4	SEACEN *[1]	5	23
5	Colombo Plan	5	112
6	Bilateral	3	42
	(Japan)	(8)	(103)
Total		79	2,020
Japan *[2]		(11)	(482)

(Source: Interviews)

*[1] SEACEN is the acronym for Southeast Asian Central Banks.

*[2] Including co-sponsorship with other agencies.

Overseas Assistance for State-owned Commercial Banks in Myanmar
(as of November 2002)

No.	Name of Agency	Number of Times	Training Days
1	IMF	2	547
2	Colombo Plan	4	70
3	Bilateral	7	95
	(Japan)	10	90
Total		23	802

(Source: Interviews)

5.2 Expected HRD Technical Assistance in the Banking Sector

133.Improving management of commercial banks—especially that of private banks, which have expanded their operation rapidly since they started business in 1992—is an urgent task, as pointed out by the analysis in the preceding sections of this report. For this purpose, human resource development of the banking sector needs to be strengthened and supported, while also improving management of banks and policies related to banking operations. Not only the state-owned banks (e.g., MEB), but also some major private banks (e.g., AWB and YOWA) have their own training programmes. However, the efforts made by individual banks have had limited impact in terms of instituting services in line with rapid improvement in and globalisation of commercial banking. And Myanmar is still in very early development stages in terms of information and communication technologies. Thus human resource development in the banking sector needs to be implemented more actively and systematically.

Proposed assistance programmes with possible involvement of Japan are as follows.

A) Support for the MBA's trainers' training programme
The MBA seems to be a suitable organisation for introducing a new trainers' training course. Technical assistance, including from Japan, in this undertaking is highly recommended in order to establish an efficient and effective training programme with long-term sustainability. Priority will be given to know-how for which there is no domestic source.

B) HRD programme support for the banking sector from the Myanmar–Japan Center for Human Resource Development
We recommend that the Center include banking in its business training programme, considering the importance of the sector. The possibility for workshops (organised by the Center) for the banking sector is also expected to be a part of policy dialogue between the two countries.

134. For both cases mentioned above, there must be active interchange among the experts in Japan, Myanmar, and ASEAN in order to introduce HRD programmes and resource persons which are most appropriate for the Myanmar context.

135. Apart from the long-term assistance schemes mentioned above, a one-day seminar could be conducted in Yangon in the first quarter of 2003 with involvement of JICA short-term experts, upon agreement among the ministries concerned. This trial will become an important step stone for a long-term assistance schemes mentioned above.

C) For subjects of urgent need, dispatch JICA specialists to conduct a seminar
In the course of the study, Myanmar FMWG and banks requested the study team to conduct a seminar on priority issues which banks in Myanmar are currently facing. In order to materialise prompt action for assistance to banking sector HRD, the joint study team has proposed a scheme to both governments. Upon the consent of the Myanmar ministries concerned, JICA is ready to respond to this request. Through this seminar, undertakings that are jointly carried out by private banks will be highlighted for further improvements. The following three areas are of urgent need among private banks.

- Information and communications technology for banking activities
- Modernisation of the payment and fund transfer system
- Micro business loan appraisal

Annex

Table 1 List of Private Banks by Employee Number (as of Oct. 2002)

	Bank Name	Date of Establishment	No. of Branches	No. of employees	Category
1	Asia Wealth Bank Ltd.	30.4.95	40	3,346	Private
2	Yoma Bank Ltd.	14.8.92	42	2,077	Private
3	Kanbawza Bank Ltd.	1.7.94	24	1,465	Private
4	Myanmar Mayflower Bank Ltd.	9.6.94	26	1,213	Private
5	Myanmar Universal Bank Ltd.	24.1.95	27	1,088	Private
6	Myanmar Oriental Bank Ltd.	18.11.93	15	604	Private
7	First Private Bank Ltd.	6.10.92	16	459	Public
8	Myawaddy Bank Ltd.	4.1.93	7	330	Semi-gov.
9	Cooperative Bank Ltd.	21.8.92	8	309	Semi-gov.
10	Myanmar Livestock and Fisheries Development Bank Ltd.	15.2.96	9	258	Semi-gov.
11	Innwa Bank Ltd.	28.11.97	10	181	Semi-gov.
12	Yangon City Bank Ltd.	14.8.93	2	167	Semi-gov.
13	Tun Foundation Bank Ltd.	14.6.94	6	151	Private
14	Myanmar Industrial Development Bank Ltd.	15.2.96	3	141	Semi-gov.
15	Myanmar Citizens Bank Ltd.	2.6.92	2	107	Public
16	Cooperative Promoters Bank Ltd.	6.7.96	3	85	Semi-gov.
17	Cooperative Farmers Bank Ltd.	6.7.96	2	83	Semi-gov.
18	Sibin Thayaryay Bank Ltd.	4.7.96	1	55	Semi-gov.
19	Asian Yangon International Bank Ltd.	18.10.94	1	28	Private
20	Yadanabon Bank Ltd.	11.9.92	1	22	Semi-gov.
Total			245	12,169	

Source: Interviews

Table 2 Number of Bank Employees per Level

Large Bank

Bank	Total Employees	Executive	Manager	Branch Manager	New Recruits
AWB	3,346	3	208	39	200
YOMA	2,077	9	23	54	180

Medium Bank

Bank	Total Employees	Executive	Manager	Branch Manager	New Recruits
KBZ	1,465	4	110	20-30	200
MMB	1,316	2	65	25	100
MUB	1,088	7	50	28	200
MOB	604	5	180	14	100

Small Bank

Bank	Total Employees	Executive	Manager	Branch Manager	New Recruits
Myawaddy	330	5	20	6	40
CB	309	3	43	8	30-50

Source: Interviews

Table 3 Present In-house Banking Training Programme

	Large Bank	Medium Bank	Small Bank
Executive Level	1. Local workshops 2. Short courses - Project management - Credit analysis - Change management - Financial management, etc	1. Seminars: Local trainers as well as foreign trainers (Malaysia)	Nil
Middle Management Level	1. Refresher course 2. Advance course 3. Training for 2nd in-charges & 3rd In-charges 4. HR management programme 5. Leadership skills 6. English language course	1. Assistant manager course 2. Customer service 3. General banking course 4. ICT 5. Supervisory course	1. Basic banking course 2. Refresher course
Operational Level	1. Basic banking course 2. Departmental transfer training 3. Refresher training for old staff 4. English language course 5. Bookkeeping, accounting & banking course	1. Basic banking course 2. English course 3. Customer services 4. Cash handling training 5. Security training	1. Basic banking course

Table 4 Urgent Training Needs of Banks

	Large Bank	Medium Bank	Small Bank
Executive Level Course	Management Course - Modern management & marketing - Innovation in modern business Banking Operation - International banking Practices or advance banking	Management Course - Marketing strategy - Corporate strategy General Banking Knowledge - Information technology	Management Course - Seminar on strategic quality management - Total quality marketing General Knowledge - English
Middle Manage-ment Level Course	Management Course - Change mgt. - Financial mgt. Banking Operation - Loan processing & administration - Bank administration General Banking Knowledge - Banking law	Management Course - Marketing strategy - Customer relationship mgt. strategy Banking Operation - Customer service - Branch management General Banking Knowledge - Information technology	Management Course - Strategic quality management - Total quality marketing General Banking Knowledge - Legal framework - Fire insurance General Knowledge - English - Computer
Operational Level Course	Management Course - Human resource management Banking Operation - Departmental training	Banking Operation - Customer service	General Knowledge - English - Computer

Table 5 Future Training Needs of Banks

	Large Bank	Medium Bank	Small Bank
Executive Level Course	<u>Management Course</u> - Project management course - Modern management & marketing - Leadership - Innovation in modern business <u>Banking Operation</u> - International banking practices or advance banking - Foreign exchange business <u>General Banking Knowledge</u> - International trade - Information technology	<u>Management Course</u> - Strategic management - Development of corporate culture <u>Banking Operation</u> - International banking Practices or advance banking - Customer service <u>General Banking Knowledge</u> - Information technology - Stock market - Corporate governance	<u>Management Course</u> - Asset & liability mgt. (Financial Mgt.) - Total quality leadership - Exceeding expectation strategies <u>Banking Operation</u> - Foreign exchange business - Risk management - On-line banking service (V – SAT) - Customer – driven value creation <u>General Banking Knowledge</u> - Information technology - Money laundering - International finance - Capital market
Middle Manage-ment Level Course	<u>Management Course</u> - Change mgt. - Team building - Project mgt. - Human resource <u>Banking Operation</u> - Credit analysis - Branch management courses - Letters of credit - Electronic banking - International banking Practices or advance banking - Foreign exchange business - Accounting - Maintenance of customer's accounts - Bank administration	<u>Management Course</u> - Developing the management role within the financial sector - Strategic management - Marketing management - Human resource management - Customer relationship mgt. strategy - Development of corporate culture - Branch management - Motivation - Assessment of staff <u>Banking Operation</u> - Analytical issues relating to the financial services sector and its environment	<u>Management Course</u> - Branch management - Asset & liability mgt. (Financial mgt.) - Total quality management - Customer – focused strategies - Strategies of growth, change & consolidation - Mgt. by objectives - Mgt. by walking around - Strategic thinking - Proactive practices - Future – orientation - Total quality marketing <u>Banking Operation</u> - Foreign exchange Business

	Large Bank	Medium Bank	Small Bank
	General Banking Knowledge - Information technology - Economics - Trade & commerce - Security issues - Negotiable instrument act - Banking law	- International banking practices or advance banking - New banking products - Advance accounting - Customer service - Modern commercial banking - Bank management - Credit management - Management accounting - Risk management General Banking Knowledge - Information technology - Stock market	- Techniques in internal Auditing of banks credit operation syndicated loan - Audits of the credit operation - On-line banking service (V – SAT) - Customer – driven sales, marketing and service General Banking Knowledge - Information technology - Money laundering - Frauds - Banking secrecy & compliance - Frauds auditing - Trade finance and Payment - ICT audits - International finance
Operational Level Course	Banking Operation - Accounting in banking - Basic Banking concepts - Bookkeeping & accounting - Customer service - Banking products General Banking Knowledge - Information technology - Bank core values introduction programme - Banking laws & practices - Presentation skills	Management Course - Customer relationship mgt. strategy - Marketing management Banking Operation - International banking practices - Accounting in banking - Basic banking concepts General Banking Knowledge - Information technology	Banking Operation - Foreign exchange business - Basic banking courses General Banking Knowledge - Laws relating to banks - Capital markets & their instruments - Trade finance

Table 6 IBBM Course List

Area	Level	Course Title	Duration	Fee (STF member) (Non-STF)
Audit and Control	Level 1	Introduction to Internal Auditing Module 1	2 days	RM 400 RM 1,000
		Introduction to Internal Auditing Module 2	3 days	RM 600 RM 1,100
		Best Practices in Internal Auditing Report Writing	N.A.	RM 600 RM 1,200
	Level 2	Operational Auditing	2 days	RM 1,000 RM 2,100
		Risk Management for Internal Auditors	N.A.	RM 1,000 RM 2,100
		Money Laundering	N.A.	RM 550 RM 1,500
	Level 3	Best Practices in Value Added Auditing	2 days	RM 1,300 RM 2,200
Credit	Level 1	From the Lending Perspective - Compliance and Penalties	2 days	RM 400 RM 900
		Exchange Control Rules and Regulations for Credit Officers	1 day	RM 150 RM 400
		Principles of lending	2 days	RM 400 RM 950
		Assessing Credit Risk Using Financial Statements and Cash Flow Analysis	3 days	RM 600 RM 1,100
		Credit Risk Management: Qualitative Analysis	3 days	RM 600 RM 1,100
		Land Law and Securities Docmumentation	3 days	RM 600 RM 1,100
		Credit Risk Management for Business Managers	3 days	RM 600 RM 1,100
		Effective Credit Writing Skills	3 days	RM 600 RM 1,100
	Level 2	Credit Risk Management: Loan Structuring	3 days	RM 600 RM 1,400
		Credit Risk Management: Loan Monitoring	3 days	RM 600 RM 1,400
		Credit Risk Management for Branch Managers	3 days	RM 1,300 RM 2,300
		Advanced Credit: Monitoring, Control and Warning Signals	2 days	RM 800 RM 1,600
		Advanced Credit: Managing and Restructuring Distressed Debt	3 days	RM 1,200 RM 2,100
		Legal Issues: Loan Recovery and Corporate Litigation	2 days	RM 600 RM 1,100
		Credit Insolvency, Receivership and Liquidation	3 days	RM 800 RM 1,400
	Level 3	Credit Risk Management Workshop	N.A.	N.A.

Area	Level	Course Title	Duration	Fee (STF member) (Non-STF)
Front-Line Operations	Banker-Customer Relationship: Legal and Practical Issues		2 days	RM 500 RM 1,000
	Cheques: Legal and Practical Issues		2 days	RM 700 RM 1,400
	Deposit Accounts: Legal and Practical Issues		2 days	RM 700 RM 1,400
	Detection and Prevention of Fraud		2 days	RM 400 RM 1,000
	Anti-Money Laundering		2 days	RM 500 RM 1,000
	Selling and Negotiations Skills for Bankers'		2 days	RM 850 RM 1,750
	Cross-selling Skills for Bankers'		2 days	RM 700 RM 1,400
	Client Relationship Management		3 days	RM 900 RM 1,700
	Managing Profitable Relationship with Bank Customers		2 days	RM 800 RM 1,500
	Service Quality Mindset Workshop		2 days	RM 600 RM 1,300
	Implementing a Service Culture		3 days	RM 900 RM 1,600
	Process Improvement for Quality		3 days	RM 900 RM 1,600
	Call Centre Excellence		2 days	RM 600 RM 1,300
Human Resource Development	Achieving More Through Effective Communications		2 days	RM 700 RM 1,200
	Developing Supervisory Skills		4 days	RM 1,100 RM 2,000
	Building the Restructured Organization		3 days	RM 1,000 RM 2,000
	Workplace Motivation for Greater Profitability		2 days	RM 800 RM 1,400
	Achieving Peak Performance		2 days	RM 800 RM 1,300
	Building the Right Managerial Skills		4 days	RM 1,400 RM 2,600
	Managing with Impact		5 days	RM 1,750 RM 3,250
	Managing Interactions and Relationships		3 days	RM 750 RM 1,500
	Strategic Bank Management: Banking Industry Dynamics		N.A.	RM 500 RM 1,400
	Strategic Bank Management: The Strategic Banker		N.A.	RM 1,100 RM 3,100

Area	Level	Course Title	Duration	Fee (STF member) (Non-STF)
	Strategic Thinking and Competitive Strategy		3 days	RM 2,500 RM 3,600
	Strategic Leadership and Change for Financial Institutions		4 days	RM 2,500 RM 3,600
	Strategic Marketing for Financial Institutions		3 days	RM 2,500 RM 3,600
	Creating and Managing Bank Value		3 days	RM 2,500 RM 3,600
	Trainer Development Programme: Training Delivery Skills		3 days	RM 1,200 RM 2,000
	Successfully Managing the HR Function		3 days	RM 1,300 RM 2,100
	Performance Scorecards Management		3 days	RM 900 RM 1,800
Information Technology	Assessing Risks and Implementing Security in Information Systems		3 days	RM 1,500 RM 2,600
	Developing and Implementing Effective ICT Contingency and Disaster Recovery Plans		3 days	RM 700 RM 1,400
	Legal Issues: Electronic Banking		3 days	RM 800 RM 1,500
	Avoiding Legal Minefields in Electronic Banking		N.A.	RM 700 RM 1,600
	Project Management		N.A.	N.A.
International Trade Finance	Level 1	Trade Finance Instruments: Module 1	3 days	RM 750 RM 1,250
		Trade Finance Instruments: Module 2	3 days	RM 750 RM 1,250
		Incoterms 2000 and Trade Documents	2 days	RM 500 RM 1,200
	Level 2	Advanced Documentary Credit Operations	3 days	RM 950 RM 1,750
		Understanding UCP 500, URC 522, URR 525, and DOCDEX 577	3 days	RM 800 RM 1,300
		Legal Issues: Documentary Credits	N.A.	RM 1,500 RM 2,700
		Fraud in International Trade Finance	N.A.	RM 1,200 RM 2,500
		Risks in International Trade Finance and Prevention of Fraud	2 days	RM 800 RM 1,300
		Structuring Trade Finance Facilities	3 days	RM 900 RM 1,800
	Level 3	International Trade Finance: Case Studies Workshop	N.A.	RM 1,000 RM 1,500

Area	Level	Course Title	Duration	Fee (STF member) (Non-STF)
Investment and Capital Markets	Level 1	Introduction to the Financial Markets	2 days	RM 500 RM 950
		Foreign Exchange and Money Market: Front Office Operations	3 days	RM 600 RM 1,000
		Foreign Exchange and Money Market: Middle and Back-Office Operations	2 days	RM 600 RM 1,000
	Level 2	Fundamentals of Capital Market Instruments 1	4 days	RM 1,100 RM 2,100
		Fundamentals of Capital Market Instruments 2	4 days	RM 1,100 RM 2,100
		Fixed Income Instruments	N.A.	N.A.
		Understanding Capital Market Instruments and Their Applications	3 days	RM 800 RM 1,550
		Global Capital Markets: Today's Innovations, Opportunities and Risks	N.A.	RM 1,800 RM 3,000
	Level 3	Bond Markets with Bonds Bourse Game	5 days	RM 2,500 RM 4,500
		Investment & Portfolio Management	N.A.	N.A.
		Applications of Capital Market Instruments	N.A.	N.A.
	Level 4	Core Concepts and Practical Applications in Corporate Finance	5 days	RM 2,500 RM 4,300
		Corporate Finance Techniques and Instruments	N.A.	RM 2,500 RM 4,300
		Capital Markets and Risk Management for Corporate Finance Professionals	N.A.	RM 2,500 RM 4,300
Risk Management	Implementing a Risk Management Framework in Banks		N.A.	RM 1,650 RM 2,500
	Customer and Relationship Profitability Measurement Workshop		3 days	RM 2,000 RM 3,700
	A Workshop on Funds Transfer Pricing and Capital Assignment		2 days	RM 1,100 RM 2,100
	Fundamentals of Operational Risk Management		2 days	RM 600 RM 1,200
	Operational Risk Management		4 days	RM 1,800 RM 3,300
	Total Risk Management		3 days	RM 1,000 RM 2,000
	Financial Market Risk Management		2 days	RM 1,200 RM 3,200
	Business Continuity Management: A Strategic Approach for Business Interruption Risks		3 days	RM 700 RM 1,400

Area	Level	Course Title	Duration	Fee (STF member) (Non-STF)
Treasury	Level 1	Fundamentals of Foreign Exchange	3 days	RM 750 RM 1,500
		Fundamentals of Money Markets	3 days	RM 700 RM 1,400
		Mechanics and Application of Foreign Exchange and Derivatives	2 days	RM 600 RM 1,000
	Level 2	Introduction to FX Swaps	1 day	RM 280 RM 500
		The Malaysian Derivatives Market: Concepts and Applications	3 days	RM 600 RM 950
		Introduction to Plain Vanilla Interest Rate and Currency Derivatives	4 days	RM 1,000 RM 1,700
		FX and MM Derivatives	N.A.	N.A.
		A Swap Seminar: Managing Risk and Improving Yields	2 days	RM 1,200 RM 1,900
		Concepts and Practices of Asset and Liability Management	4 days	RM 1,600 RM 2,600
	Level 3	Effective Risk Management: Treasury, ALM, Derivatives	5 days	RM 3,500 RM 7,000
		ALM- The Top Management Challenge	N.A.	N.A.
		Treasury Management	N.A	N.A.

(Source: IBBM Training & Development Directory 2002)

Table 7 IBBM Qualifications

	Banking and Financial Services Certificate (BFSC)	Diploma in Banking and Financial Services (DBFS)
Coverage	Subjects - Introduction to Monetary Economics and the Malaysian Financial System - Operations of Financial Institutions - Law and Practice of Banking - Basic Accounting	Core Subjects - Monetary Economics and the Malaysian Financial System - Law on Banking and Finance - Principles of Lending - Principles of Management - Business Communication Optional Subjects - International Trade Finance - Treasury - Retail Financial Services - Investment - Marketing of Financial Services
Criteria for the Award	Candidates are required to pass a 3-hour examination for each of the 4 subjects, held twice a year	Candidates are required to pass a 3-hour examination for each of the 8 subjects (5 core subjects + 3 optional subjects), held twice a year
Exam Fees	RM 50 per subject	RM 60 per subject

(Source: IBBM Training & Development Directory 2002)