COMPARISON OF LOAN FINANCE SYSTEM OF FULLERTON MYANMAR AND WOORI FINANCE MYANMAR

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ABSTRACT

Financial aspect is an essential part to develop a country. Almost countries in the world are facing financial problem in business enterprises yearly. In these countries, un-developing countries and developing countries and people in these countries are mostly affected by finance problem. In Developing countries, there are many challenges to go ahead to develop business, higher education, higher living styles and higher technologies. Especially, Myanmar, developing country, an agriculture country, is facing many challenges in many sectors such as business, education, technology because of financial problems. Loan is The goal of this paper is to analyze the processes of lending the two financial companies, Fullerton Myanmar and Woori Finance Myanmar, concerning with staff and contributes personal loan records of one Government staff in Fullerton Myanmar and one in Woori Finance Myanmar. This paper evaluates the interest (Myanmar kyats) depending upon their interest rate and compares the loan lengths of two companies.

Index Terms— ***Fullerton, Woori Finance, Finance Loans, Interest Rate, Loan Length***

INTRODUCTION

In Irish, Jonathan Swift introduced the Irish Loan Fund System to improve impoverished Irish citizens. The modernized form of microloan became popular in 1970s. Microfinance is one of the most important tools to help families and communities break free from the cycle of poverty. Microfinance known as microcredit, microloan is a type of banking services. Unemployed or low-income individuals are provided its services to be employed or regular- income one or groups. Especially, it serves individuals or groups who have limited financial resources, or trapped in poverty, or do not have enough income with their families and outcome. Many finance companies provide lending with additional services (Lender's health, education, accidental events, death). These companies allow people to take on reasonable small business loans safely and charge interest on loans and institute specific repayment plans.

This paper focus on two microfinance companies in Myanmar and compares that these two companies provide lending to the Government staff because most staff have difficulties to buy their facilities such as motorbike, other domestic materials: air-con, air cooler, refrigerator, laptop according to their salaries. Staff are more convenient with installment.

RELEAED WORK/ LITERATURE REVIEW

In this session, there are many functions in finance companies. In section 3 of this paper finance Myanmar Companies: Fullerton Myanmar and Woori Finance Myanmar established date, License date are described. Their goals are the same to the targets (higher education, higher standard of living, and higher business improvement). Their visions and policies are not much different. In section 4, different types of loan in two companies are described and requirements and their loan size, length, payment frequency and interest rates are described. In section 5, Form of loan schedule reports of two companies and their details of payments are described. The calculation of the interest rate are described. In section 6, Interest rate are of which company are better are presented.

III. PROPOSED SYSTEM WITH TWO FINANCIAL COMPANIES

During the past decade in Myanmar, Finance companies are very well known between people who have difficulties to stand their own businesses, to overcome jobless lives to business owners.

Fullerton Myanmar was established in August 2013 and received its license to operate from the MYANMAR Microfinance Supervisory Enterprise in June 2015. Their goals provide to improve borrowers financial poverty, became from the normal lives to the regular business man and own regular income by using their loan effectively.

Woori Finance Myanmar is was established in 2015. It is a subsidiary of Woori Bank from the Republic of Korea and started Micro Finance Services in Myanmar in November 2015.

A. Mission & Work of Fullerton Myanmar

- Education to the higher standards
- Normal life to the small own business
- Small own business to the medium and large enterprises
- In urban and rural areas, people's difficulties with financial problem
- Saving deposits for the future.

B. MISSION & VISION OF WOORI FINANCE MYANMAR

- To give best practice of Micro Finance Services to improve social welfare activities
- To improve the people from grassroots level who do not have services
- To reduce the poverty and create more jobs
- To encourage to start small enterprise

C. Benefits of Finance Companies in Myanmar

- Simple, Streamlined Application Process
- Lower interest rates
- Allows operational cash flow to be used elsewhere.
- Fast Approval; Preserves Shareholder Equity.

- Flexibility.
- Accounting and Tax Advantages.
- Receiving a Term Loan and Making Payments on Time Boosts Credit Score.

IV. LOAN METHODOLOGY

This types of loan of finance companies is divided into:

- Group Loan
- Small Business Loan
- Personal Loan
- Hire Purchase Loan

Group Loan

In group loan, there are five members. According to the quarter, Lending is convenient with the 25 groups at least for the company staff. Firstly, if people want to start business with reasonable loan to earn regular income, they can join to the company with other people and register (filling loan form), to be a member. For about one week or two weeks, respective manager for this quarter meets the members in groups and members sign on loan form. In this meeting, each member must have two people to confirm. Later about two weeks, members are allowed to provide loan directly in company.

Requirements: National Registration ID (NRC), Household Registration Book (HRB), Copy Form, Original Form

Table-1: Group Loan Form of Fullerton Myanmar

Loan Size	Loan Length	Frequency of Payment	Interest Rates
Up to MMK 1,000,000	3 months- 12 months	Once in 14 days	1 year: 28% 1 month: 2.33%

Small Business Loan

In urban and rural areas, business owners are provided loan to invest on their business. So the business owners must have business license and their business place and office can be displayed to the company. Their business enterprise's average income in one month or one day (actual data). And then the company checks Lenders' loan amount and their enterprises income whether Lenders afford their payments or not.

Requirements: National Registration ID (NRC), Household Registration Book (HRB), Business License, Copy Form, Original Form

Table-2: Small business Loan Form of Fullerton Myanmar

Loan Size	Loan Length	Frequency of Payment	Interest Rate
Up to MMK 10 million	6 months- 24	Once in one month	1 year: 28%

	months		1 month: 2.33%

Personal Loan

This is lending individuals (including staff, farmers). Depending on the salaries of staff, the amount of loan is different.

Requirements: National Registration ID (NRC), Household Registration Book (HRB), Copy Form, Original Form

Table-3: Personal Loan Form of Fullerton Myanmar

Loan Size	Loan Length	Frequency of Payment	Interest Rate
Up to MMK 1.5 million	6 months- 24 months	Once in one month	1 year: 28% 1 month: 2.33%

Hire Purchase Loan

This is convenient for business man and staff to buy materials (such as motorcycle) with the installments systems. Materials wanted to buy can be owned by installing small amount of prepayment.

Requirements: National Registration ID (NRC), Household Registration Book (HRB), Copy Form, Original Form

Table-4: Hire purchase Loan Form of Fullerton Myanmar

Loan Size	Loan Length	Frequency of Payment	Interest Rate
Up to MMK 2.5 million	6 months- 24 months	Once in one month	1 year: 28% 1 month: 2.33%

Services and Saving

As the savings, they are divided into two parts: group compulsory savings and voluntary savings.

- *Group compulsory savings*

  Members (borrowers) are drawn to the saving habits by company so that they can solve with their preparations when they encounter accidental events and emergencies for lives. Fixed saving amounts are collected by company. Company allow to only members to save.

  - *Special services:*
    - Pregnant women members are supported some amount of money by company when they born.
    - When member is dead because of accident or other diseases, their family are supported by company. But these services are supported during the time of member.

Table-5: Saving amount and interest rate of members

Amount	Interest Rate
Up to 5% group loan amount	15% per year

- Voluntary Savings

  Members can keep or save their some money or small amount of money to voluntary savings. This is challenges of everyday life and business. Interest will be earned form this saving money.

Table-6: Saving amount and interest rate of members

Amount	Interest Rate
Minimum MMK 30,000	10% - 12% per year

Formula of calculating Interest on 100,000 kyats per month

$$\mathbf{I = (T*100000)/\ (L*N)}$$

Where, I = Interest per month on 100000 kyats

T = Total payment (kyats)

L = Loan payment (kyats)

N = Number of month

RESULT AND DISSUCION

In Figure 1, staff in University of Computer Study joined to lend to Fullerton Myanmar Company. Depending upon staff's salary, total amount of loan is 700,000 kyats but staff must pay other charges to company. So staff got 686,000 kyats and the length of total payment is 12 months. Interest rates, charges, commission fees and payment dates are described in table.

Error! Not a valid link. Figure 1: Staff Loan Schedule Report of Fullerton Myanmar

In Figure 2, staff in University of Computer Study joined Woori Finance Myanmar Company. According to staff's salary, total amount of loan is 430,000 kyats but staff must pay other charges to company. The length of total payment is 10 months. Interest rates, charges, commission fees and payment dates are described in table.

No	Due Date	Balance B/F	Principal	Interest		Total	Balance C/F
		Installments Not Yet Due			Prepaid		
1	Thu, 01/08/2019	430,000	41,970	5,930		47,900	388,030
2	Mon, 02/09/2019	388,030	39,740	8,160		47,900	348,290
3	Tue, 01/10/2019	348,290	41,260	6,640		47,900	307,030
4	Fri, 01/11/2019	307,030	41,650	6,250		47,900	265,380
5	Mon, 02/12/2019	265,380	42,500	5,400		47,900	222,880

6	Wed,01/01/2020	222,880	43,510	4,390		47,900	179,370
7	Mon, 03/02/2020	179,370	44,010	3,890		47,900	135,360
8	Mon, 02/03/2020	135,360	45,410	2,490		47,900	89,950
9	Wed, 01/04/2020	89,950	46,130	1,770		47,900	43,820
10	Fri, 1/05/2020	43,820	43,820	860		44,680	0
			430,000	45,780		475,780	

Figure 2: Staff Loan Schedule Report of Woori Finance Myanmar

In Figure 3, Loan size marked by Companies to the members do not differ. Loan lengths of Woori Finance Myanmar and Fullerton Myanmar Companies differ as 10 months and 12 months and frequency of Fullerton Myanmar is longer than Woori Finance Myanmar although interest rate of Woori Finance Myanmar is more than Fullerton Myanmar for both annually and monthly.

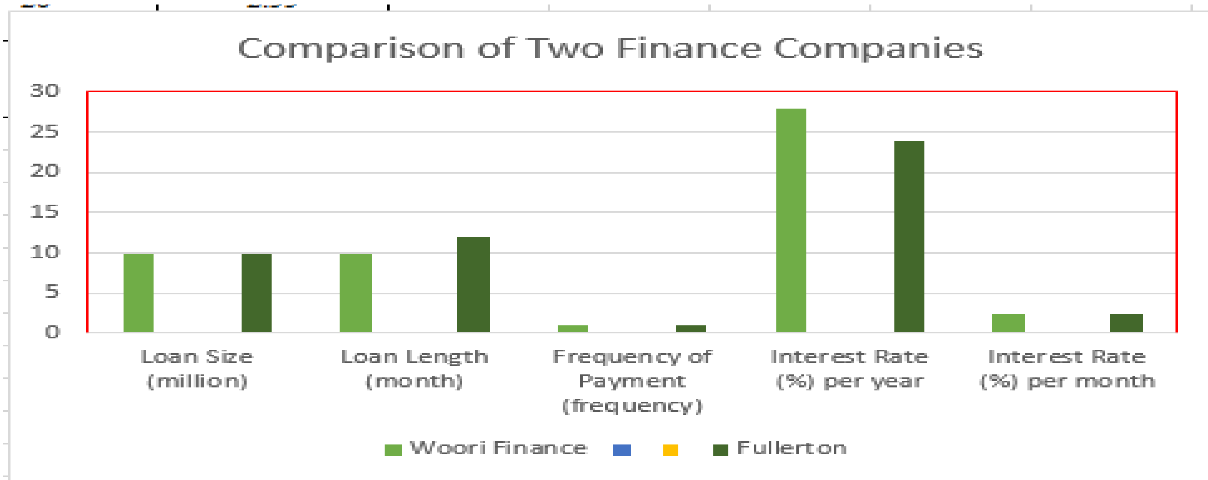

Figure 3: Comparison result of Fullerton Myanmar and Woori Finance Myanmar

CONCLUSION

This paper presents two companies: Fullerton Myanmar and Woori Finance Myanmar with their loan schedule reports. Their interest rates are neither high nor low. Their finance missions are not much different. But lending styles are not same. Fullerton Myanmar Company's interest on 10,000 kyats per month is 1206.4 kyats and payments lasts 12 months. Woori Finance Myanmar Company's interest on 10,000 kyats per month is 1064.6 kyats and payments lasts 10 months. So, as month, Woori Finance Myanmar is better than Fullerton Myanmar. As interest, Fullerton Myanmar is better than Woori Finance Myanmar.

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