

**YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF COMMERCE
MASTER OF BANKING AND FINANCE PROGRAMME**

**INFLUENCING FACTORS ON CUSTOMER
PERCEPTION OF INTERNATIONAL TRADE FINANCE
SERVICES OF
YOMA BANK**

**WIN NAING HTAY
(EMBF 5TH BATCH)**

DECEMBER, 2019

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YOMA BANK**

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ABSTRACT

This aim of the study intends to identify trade finance services provided by Yoma Bank in Myanmar and to explore the factors influencing on trade finance services of Yoma Bank. This study is based on primary data from respondents who are active customers of Yoma Bank, using random sampling. Among about 100 exporters and importers, 50 are asked by delivering paper questionnaires directly to them. The questionnaires are prepared by using five-point Likert scale to measure the five influencing factors namely; reliability, assurance, responsiveness, variety of products and tangibility of trade finance services available at Yoma Bank in Myanmar. The secondary data were gathered from various sources of previously printed research papers, text books and internet. All the data have been analyzed by using the Statistical Package for Social Sciences (SPSS). According to the survey data all of the findings regarding the customers' perception on International Trade Services of Yoma Bank have the positive mean score. Among them, customers' perceptions on Reliability factor get the highest mean score when the customers perception on Responsiveness factor get the lowest mean score. It can be concluded that most customers have positive perceptions on to International Trade Services of Yoma Bank. This finding is very useful for Yoma bank as it will assist with their innovative strategy in making effective decision on their trade finance services.

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LIST OF ABBREVIATIONS

| | |
|-----------|---|
| ADB | Asian Development Bank |
| AML | Anti-Money Laundering |
| BIS | Bank for International Settlements |
| D/A | Document Against Acceptance |
| D/P | Document Against Payment |
| GTFP | Global Trade Finance Program |
| ICC | International Chamber of Commerce |
| IFC | International Finance Corporation |
| IMF | International Monetary Fund |
| INCOTERMS | International Commercial Terms |
| ISBP | International Standard Banking Practices |
| ISP | International Standby Practices |
| ITC | International Trade Center |
| KYC | Know Your Customer |
| KYCC | Know Your Customer's Customer |
| L/C | Letter of Credit |
| MT | Message Type |
| SWIFT | Society for Worldwide Interbank Financial Telecommunication |
| SME | Small and Medium Enterprises |
| SBLC | Standby Letter of Credit |
| TFP | Trade Finance Program |
| UCP | Uniform Customs and Practice for Documentary Credit |
| URC | Uniform Rules for Collections |

CHAPTER 1

INTRODUCTION

International trade encourages countries to expand their markets for both goods and services that otherwise may not have been available domestically. As a result of international trade, the market contains greater competition, and therefore more competitive prices, which brings a cheaper product home to the consumer.

Trade finance has led to enormous growth of economies across the globe because it has bridged the financial gap between importers and exporters. Trade finance represents the financial instruments and products that are used by companies to facilitate international trade and commerce. Trade finance makes it possible and easier for importers and exporters to transact business through trade. Trade finance is an umbrella term meaning it covers many financial products that banks and companies utilize to make trade transactions feasible.

Banking industry is a key sector in the economy of any country and the success of banking system in the country depends on the operation, products and services of its banks. Banks have always been an important role and an integral part of the whole economy of the country

Banks play an important role in international trade. They act as intermediaries between importers and exporters. As banks are major financial institutions they are trustworthy and can be relied upon by their customers. They provide advisory and trade services on various objects to their importing and exporting customers. They collect payment from overseas countries, from importers in foreign countries and also remit funds to the exporters abroad on behalf of their customers. Banks offer various structured trade services to local and international business communities.

Myanmar is in the middle of a democratic and economic transition; the country is moving from a centrally-directed economy to a market-oriented one. Both domestically and regionally high hopes are attached to this transition. Myanmar's banking sector today consists of four state-owned banks, 27 domestic private banks and 13 foreign bank branches. In addition, there are 49 representative offices of

foreign banks listed on the website of the CBM. (Myanmar Banking Report by GIZ in 2018)

Trade finance will play an increasingly important role in emerging economies like Myanmar. Prior to 2012 trade financing was monopolized by state-owned banks. Today, local banks provide fee-based services such as letter of credits, bank guarantees, and interest-bearing services including import financing, and pre and post shipment export financing. In December 2017, the Central Bank of Myanmar started allowing foreign banks to conduct export financing, and in August 2018 foreign banks were permitted to start offering import trade financing services. (Myanmar Banking Report by GIZ in 2018)

Today Banking business is more customer focused than ever before. Customer satisfaction is a competitive advantage and vital role in banking industry. A bank should know its customers' expectations and implement them in order make its customers satisfied.

1.1 Rationale of the Study

Now a day the International Trade markets have become more efficient, competition has increased and company profit margins have been under pressure. In response, business conducting international trade have been seeking more cost effective trade finance solutions. Exporters and Importers are selectively approaching to their local banks which can provide the best tailored trade finance instruments.

In order to bridge the gap between the time at which exporters wish to be paid and the time at which importers will pay, a credit or a guarantee of payment is required. Trade finance provides the credit, payment guarantees and insurance needed to facilitate the payment for the merchandise or service on terms that will satisfy both the exporter and the importer. As such, trade finance is often described as a lubricant of trade. Most trade credit, payment guarantees and insurance are short-term, with a standard maturity of 90 days. In certain cases, trade credit can be extended for longer periods of time, particularly for categories of goods subject to longer production and delivery cycles such as aircraft and capital equipment. (Trade Finance and SME – WTO in 2016)

Trade Finance service is very attractive to the banks because of Low funding requirement, Major source of commission income, Risk-related Competitive Margins, Foreign Currency Exchange Services, Value added Services, Adding Real Value to the Client's Business, Strong Cross Sell Opportunities and Retention and Expansion of Clients.

Yoma Bank is one of Myanmar's largest private banks, with over 3000 employees and 74 branches in 35 cities nationwide. Over the past few years, Yoma Bank has made significant investments in strategic priorities - people, corporate governance, and technology. Since 2014 Yoma Bank, with the assistance of its dedicated experienced Trade Finance team, provides Trade Finance Services to both exporters and importers in order to meet the customers' needs and claim for its market share.

In term of maintaining and increasing the market share, an Institution like Yoma Bank must have certain level of customers' satisfactions on its products and services and keep trying to increase it. In order to doing so, Yoma Bank needs to know the perceptions of its customers so that it can retain its key customers and bring in more new customers by offering better services and well structured products. Therefore, this study mainly focus on identifying Yoma Trade Finance Services and finds out the customer perceptions on them and the result may alert Yoma Bank accordingly to take the necessary actions.

1.2 Objectives of the Study

The objectives of the study are as follow:

1. To identify the international trade finance services offered to the customers by Yoma Bank
2. To examine the customer perception towards international trade finance services provided by Yoma Bank

1.3 Scope and Methods of the study

This study will mainly focus on the customer perceptions towards the trade finance services of Yoma Bank however it does not cover those of other banks in Myanmar. Descriptive research method is applied for this study. To achieve the main

objective of the study, both primary data and secondary data are utilized. Primary data are acquired from the Questionnaire asked to the Importers and Exporters who utilize Yoma Trade Products. There are about 100 exporters and importers enjoying Trade Products at Yoma Bank and, 50 customers approximately 50 percent of total customers will be requested their feedbacks. Simple Random Sampling method is applied in this study. The secondary data will also be used such as lecture books, reference books, previous research papers, website and annual reports of Yoma Bank.

1.4 Organization of the Study

This study will include five chapters. Chapter one is an introductory one that presents rationale of the study, method of the study, scope and limited of the study and organization of the study. Chapter two discusses literature view of the trade financing. Chapter three describes about the trade finance services of Yoma Bank. Chapter four consists of the analysis on customer perceptions on the trade financing services of Yoma Bank. Chapter five presents the part of the conclusion, suggestions, and needs for future research.

CHAPTER 2

LITERATURE REVIEW

This chapter focuses on the theories and concepts of Trade Finance Services, their related risks and mitigations and the influencing factors on customers' perception towards Trade Finance Services.

2.1 Concepts of Trade Finance Services

Trade finance is the financing of any cross-border exchange of goods or services – that is, importing and exporting. Traditionally, both importers and exporters rely on available financing to sustain their operations. The World Trade Organization (WTO) estimates that 80% of global trade is either financed or risk insured.

Trade finance provides companies with the necessary capital and liquidity and helps them to better manage their cash flow, allowing them to expand and grow their businesses. Apart from capital requirement, traders would also need Trade Services to help them manage risks associated with international trade transactions. Various trade finance methods and instruments exist to support traders throughout the trade cycle.

2.1.1 Methods of Payment in International Trade

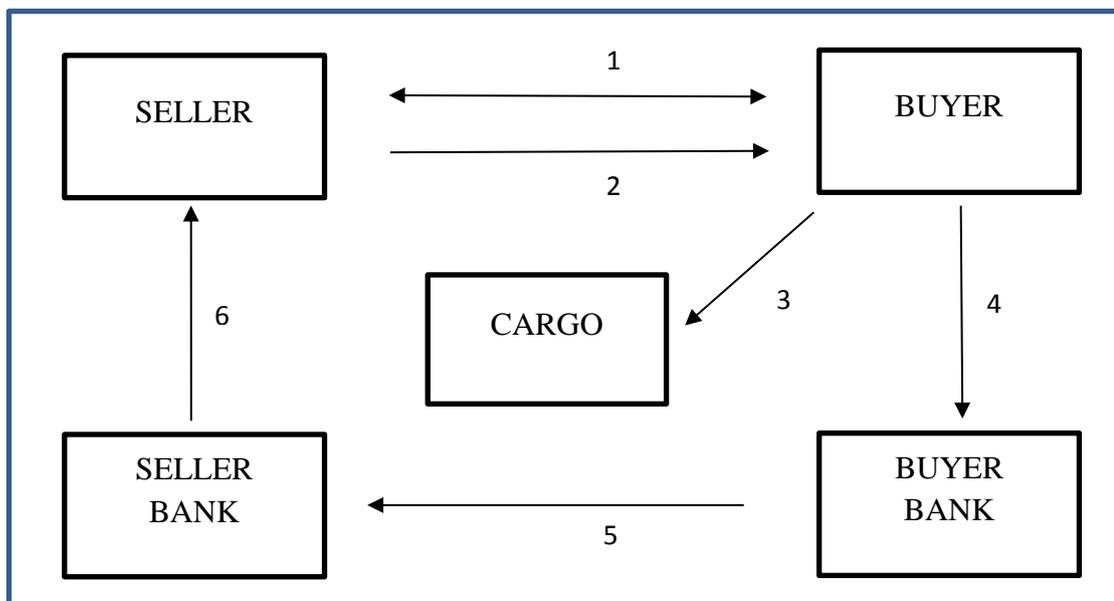
An international trade transaction is not complete until payment has been received. There are four common payment methods in International Trade

- 1) Open Account
- 2) Documentary Collections
- 3) Documentary Credit
- 4) Cash in Advance

(1) Open Account

In an open account transaction, a seller will dispatch its goods to a buyer and send an invoice (and any other customary or required documents) asking for payment or agreement to pay on a specified date. A set date for payment is given and the buyer remits the necessary funds to the seller as agreed. Open account arrangements therefore imply a considerable amount of trust being placed on the buyer by the seller. Once goods have been dispatched or services delivered, a seller will lose all control over payment, and is reliant on the trustworthiness and creditworthiness of the buyer to pay. In short, in open account trades, the seller assumes all risks. There is no robust multilateral legal framework to govern contractual and payment obligations.

Figure 2.1 Open Account Flow



Source: Gary Collyer, 2017

The above figure flow defines as follow: Step one - Sales is made between Buyer and Seller. Step two- Seller ships Goods and sends Documents to Buyer, Step three- Buyer clear and get the Goods from Cargo, Step four – Buyer instructs its Bank to pay to Seller for Goods, Step five – Buyer Bank makes payment to Sellers Bank for Seller and Step six – Seller Banks pays the received funds from Buyer Bank to Seller.

Open account trade is common in international trade, with an estimation of over 80 per cent of world trade being concluded on open account terms. It is particularly useful in transactions involving regular shipments, where the importer

often makes payments at set intervals for goods received during a preceding period. Although banks are not direct parties in open account transactions between buyers and sellers, they may, based on their relationship with either the buyer or seller, take the role of financing the seller by providing Purchase Order Financing or Accounts Receivable Financing.

Purchase Order Financing: The need for purchase order financing may arise from the length of time it takes to go from order to production to delivery and payment of goods. The importer or exporter may approach the bank to provide financing to the exporter based on the purchase order placed by the importer. In this form of pre-export financing, the bank assumes the exporter's production of goods and the importer's repayment risks. It is important to identify the relationship between the importer and exporter, the products to be exported, and the financial strength of the importer if the bank's relationship is with the exporter.

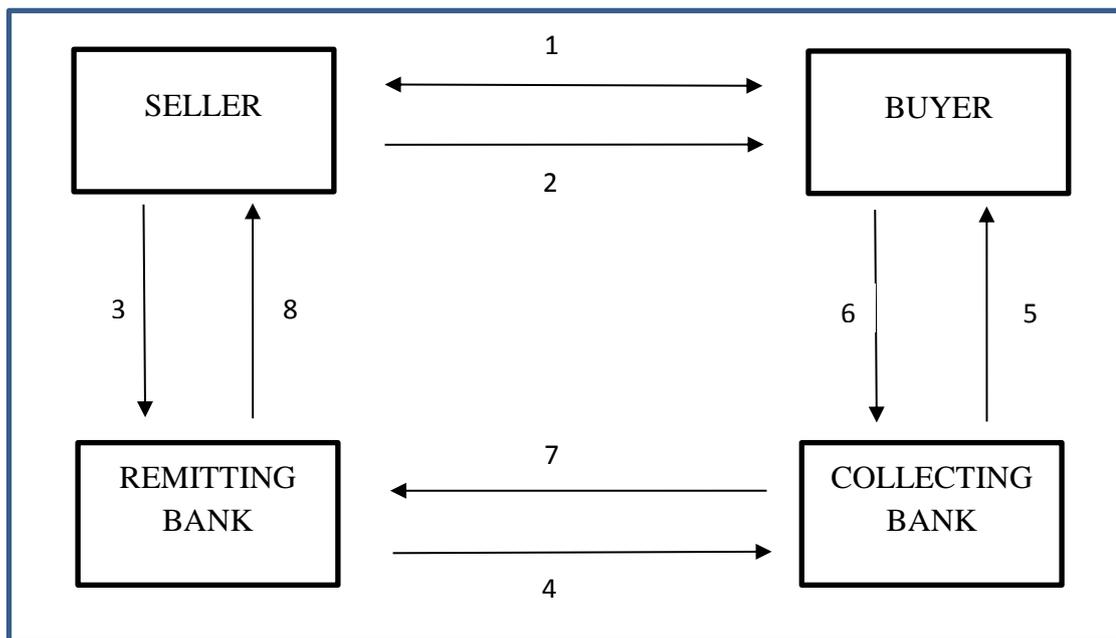
Accounts Receivable Financing: A bank may enter into accounts receivable financing with an exporter based on an existing relationship with the importer. In this arrangement, the exporter generally is a small supplier and the importer is a large corporation. The risk to the bank lies with the importer. This form of financing allows the exporter to obtain an early payment from the bank at an interest rate commensurate with the importer's credit standing. The advances to the exporter are discounted at a percentage of outstanding sales invoices. A benefit to the importer is that it may be able to negotiate favorable purchasing terms with the exporter.

(2) Documentary Collections

A documentary collection transaction is initiated by the seller, who dispatches goods to the buyer. At the same time, the seller entrusts the related documents (which may include negotiable bills of lading) to its bank for collection of the sale proceeds, and the delivery of the documents to the buyer, according to the terms of the sales contract. The seller's bank will ask a correspondent bank in the buyer's country to deliver to the buyer the documents of title to the goods against payment of the amount due (documents released against payment – 'D/P') or against acceptance of a term bill of exchange (documents released against acceptance – 'D/A').

The International Chamber of Commerce (ICC) publication that governs documentary collections is the *Uniform Rules for Collections* (URC) – publication no. 522 – referred to as ‘URC 522’. All instructions relating to the handling of a documentary collection should indicate that it is subject to URC 522 in order for the rules to be applicable to that transaction.

Figure 2.2 Documentary Collections D/P flow



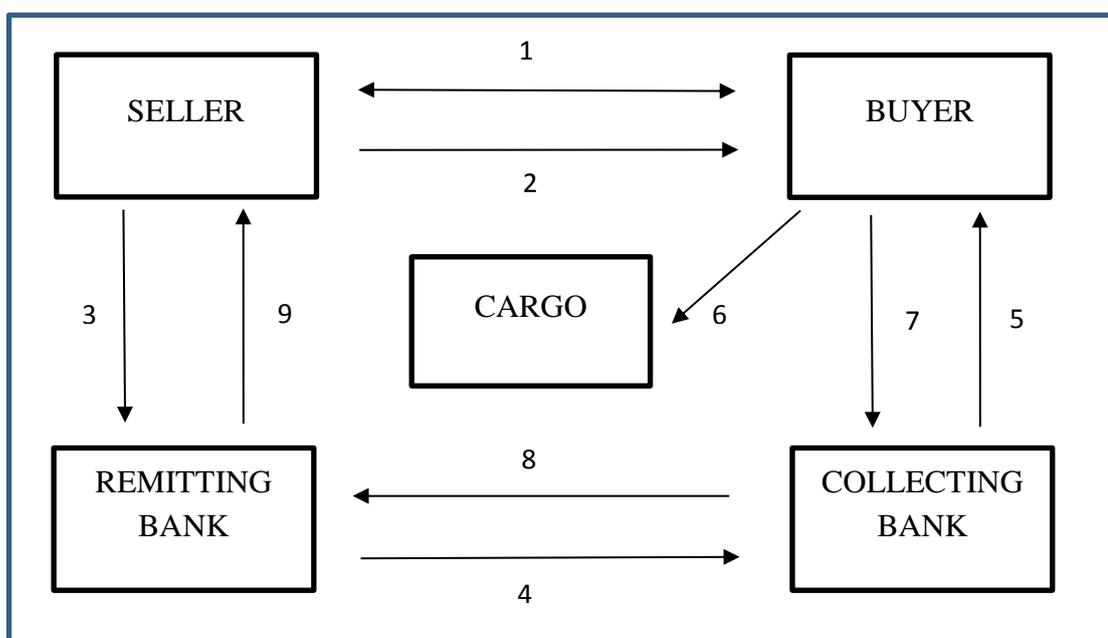
Source: Gary Collyer, 2017

In Documentary Collection, the seller is called as Drawer while buyer as Drawee and seller’s bank is called Remitting Bank while Buyer Bank as Collection Bank.

The above figure can be read as follow: Step one – Seller and Buyer agree on a sales contract, Step two- Seller ships Goods to buyer, Step three- seller sends documents to his bank (Remitting Bank), Step four – Remitting Bank forwards the documents to Collecting Bank which is buyer bank, Step five – Collecting Bank releases the documents to buyer, Step six – buyer pay to Collecting Bank for the Goods, Step seven – Collecting Bank make payment to Remitting Bank and Step eight – Remitting Bank pay to seller finally.

The Seller/Drawer entrusts the goods and title documents to the (Remitting) Seller's bank, also giving it payment instructions as agreed between the Seller and the Buyer in the Sales Contract. Once the Buyer/Drawee has made a payment to the (Collecting) Buyer's bank, the Buyer can then receive the Shipping Documents and thus access to the goods while paying following the payment instructions.

Figure 2.3. Documentary Collections D/A flow



Source: Gary Collyer, 2017

The above figure can be interpreted as follow: Step one – Seller and Buyer agree on a sales contract, Step two- Seller ships Goods to buyer, Step three- seller sends documents to his bank (Remitting Bank), Step four – Remitting Bank forwards the documents to Collecting Bank which is buyer bank, Step five – Collecting Bank releases the documents to buyer, Step six – buyer collects the Goods from cargo, Step seven- buyer pay to the collecting bank for goods when it is due, Step eight –

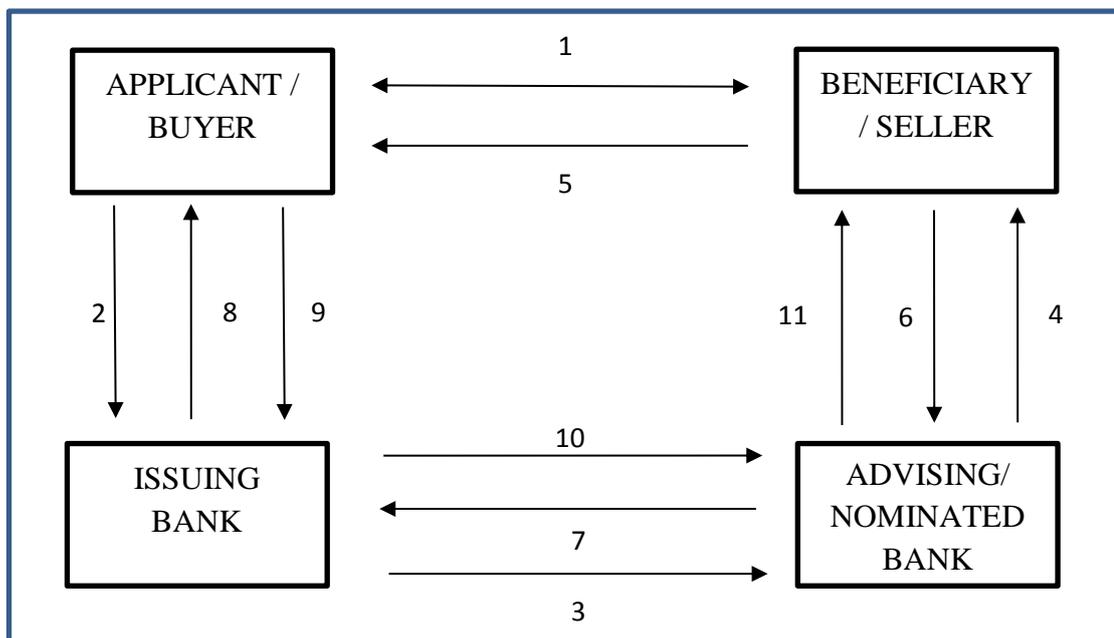
Collecting bank make payment to Remitting bank and Step nine – Remitting bank pay the received funds to seller after deducting its banking charges.

The documents transferring title of goods are delivered to the Buyer via the banking channels. Only upon the Buyer’s Acceptance of the Seller’s Bill of Exchange guaranteeing payment at a later date will the documents relating to the goods be released to the Buyer

(3) Documentary Credit

Documentary Credit is a commitment, irrevocable undertaking, given by a Bank, (Issuing Bank) at the request of a Buyer (Applicant), to pay the Seller (Beneficiary) of goods, services or performance a certain amount of money provided the Beneficiary conforms with the specified terms and conditions contained in the Credit within the prescribed period of time

Figure 2.4 Documentary Credit Flow



Source: Gary Collyer, 2017

The above figure can be translated as follow: Step one – buyer and seller agree on a sales contract, Step two – based on that sales contract, buyer also known as applicant requests its bank (Issuing Bank) to issue a LC, Step three – Issuing Bank

issue the LC in favour of seller through Advising Bank which is mostly seller bank, Step four – Advising Bank advises the said LC to seller who is also called as Beneficiary, Step five – Once seller received and agreed on LC terms and conditions, ships the Goods to buyer, Step six – seller then submits the required documents to Nominated Bank which mostly in seller's country, Step seven – Nominated Bank forwards and negotiated the documents to Issuing Bank, Step eight – Issuing Bank releases the documents to buyer, Step nine – buyer pays to Issuing for goods, Step ten – Issuing Bank makes payment to Nominated Bank and Step eleven – Nominated Bank pays to beneficiary/ buyer.

Documentary Credit is also known as Letter of Credit and there are different type of Letter of Credits, according to the level of security they granted to the Beneficiary (Seller).

(4) Cash in Advance / Advance Payment

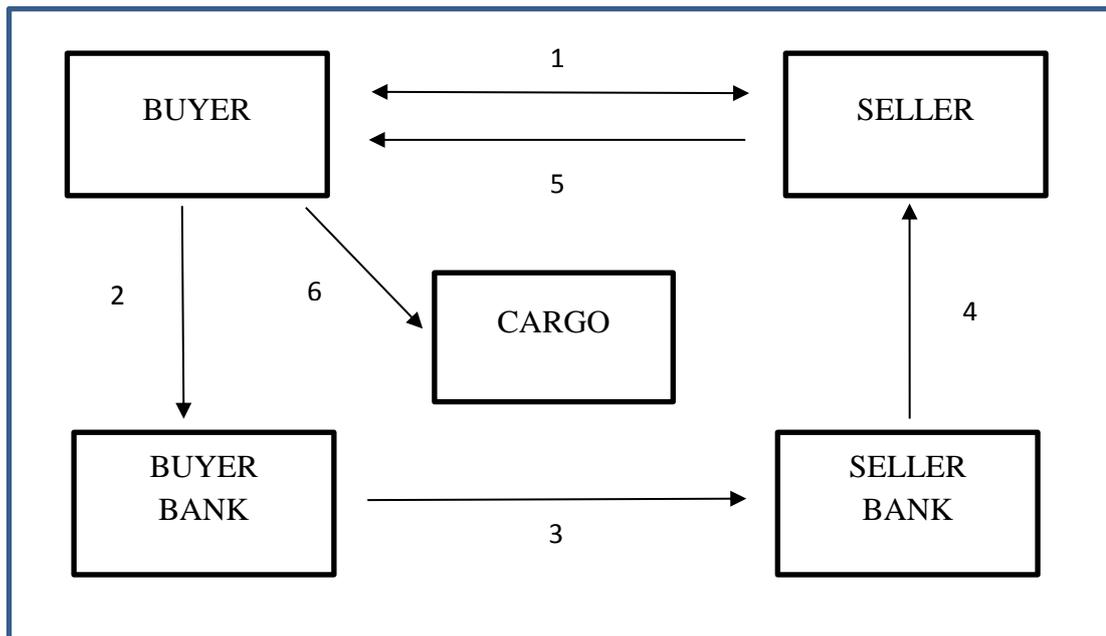
With this method of payment, the buyer pays the money in advance. Once the seller is in receipt of the funds, it arranges for the goods to be shipped or dispatched.

From the seller's point of view, receiving payment in advance of the shipment is an ideal situation, as it appears to eliminate all risks associated with non-payment.

From the buyer's point of view, payment in advance carries the greatest risk, as it is wholly dependent on the seller shipping the correct goods in accordance with the contract. In addition, payment in advance can create cash-flow problems for the buyer, as it has to wait to receive the goods.

Cash in Advance is used when the buyer's credit is doubtful or a new relationship, absolute trust in seller or seller is in monopoly position, the goods are in high demand, the buyer's country risk is unacceptable and seller is not able to provide credit to buyer.

Figure 2.5 Cash in Advance flow



Source: Gary Collyer, 2017

The above figure defines in six steps as follow: Step one – buyer and seller makes a sales contract and agree on it, Step two – buyer instructs its bank to make payment to seller through seller’s bank for the buying goods, Step three – buyer bank transfer payment to seller bank, Step four – seller bank pays to seller for the goods to be sold, Step five – seller ships goods and sends documents directly to buyer, and Step six – buyer clear goods at Cargo.

Trade Finance Services are mostly based on the above mentioned payment methods under a Trade Facility which is secured or unsecured type depend on each bank or financial institution preference.

2.2 Risks associated with Trade Finance and Services

Operational Risk: Trade Finance business can be complex and has presented significant operational risk, as it relies heavily on paper documentation with manual processing and legal review. Larger banks are increasingly using technology to reduce that risk, lower unit costs, and reduce the likelihood of errors while increasing capacity, but operational risk remains significant.

Compliance Risk: Compliance risk in trade transactions includes the failure to comply with domestic and international laws such as AML/KYC regulatory requirements.

Credit Risk: Trade finance is a specialized area, and a bank that lacks the appropriate expertise may experience credit losses because of weak structuring, poor documentation, or unfamiliarity with a country's business practices, economic or political climate, and laws.

Liquidity Risk: The primary form of liquidity risk relating to trade finance is the risk that a fund or account managed in accordance with the strategy will not have the ability to meet investor redemptions. There is generally little or no secondary market for trade finance deals and liquidation of existing deals prior to maturity can prove difficult and, if possible, costly.

Economic Risk: Economic risk refers to unfavourable economic conditions in buyer or seller's country which may affect both parties in fulfilling their obligations. On the buyer side, economic risk may result in Buyer's insolvency or inability to accept the goods or services. On the other hand, the seller may experience difficulty in producing or shipping the goods.

Cultural Risk: Different countries have their unique language and culture. The inability to appreciate/accept cultural differences and/or language barrier may result in conflicts and non-completion of the sales contract.

Legal Risk: Legal risk is the potential for financial loss arising from uncertainty of legal proceeding or change in legislation, such as a foreign exchange control policy. A sales contract could be frustrated due to changes in laws and regulations.

Foreign Exchange Risk: A buyer or seller may deal with foreign currencies in their daily course of business. This implies that they are exposed to fluctuations in

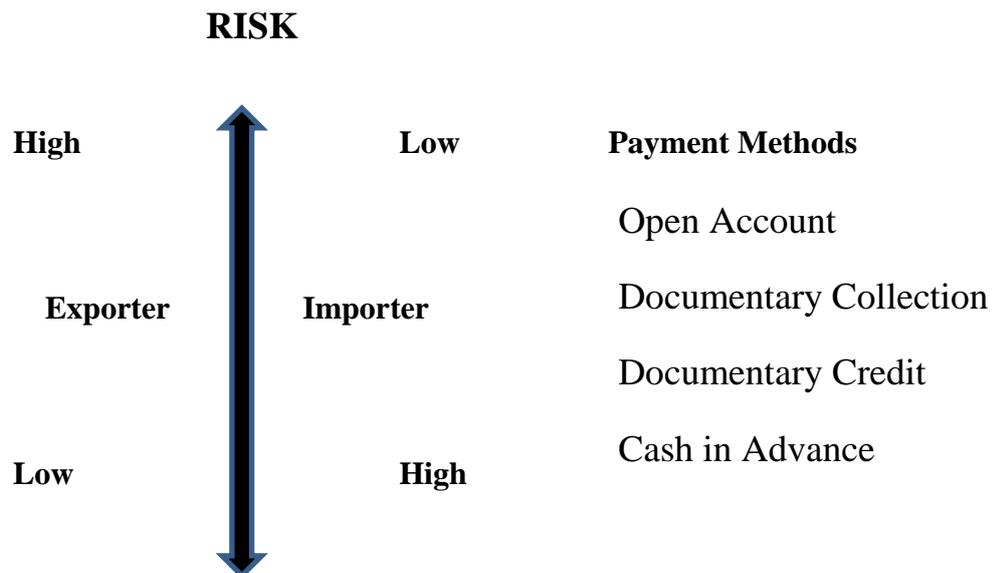
foreign exchange market which may result in paying more (by the buyer) or receiving less (from the buyer) in terms of the local currency.

Interest Rate Risk: Interest rate risk is the risk borne by an interest-bearing asset, such as a floating rate loan. An increase in interest rate will result in buyer or seller paying more interest for their floating rate loan.

Political/Sovereign Risk: Political/sovereign risk refers to the complications that buyer or seller may expose due to unfavourable political decisions or political changes that may vary the expected outcome of an outstanding contract. Examples of political/sovereign risk are changes in fiscal/monetary policy, war, riots, terrorism, trade embargoes, etc

Reputation Risk: Reputation and market perception are particularly important in trade finance and services. Issuing commercial letters of credit requires expedient processing and significant attention to detail. A bank's failure to meet these requirements may result in financial losses to the bank and its customers and may diminish the bank's business opportunities in the trade community.

Figure 2.6 Level of Risk in Payment Methods



Source: Gary Collyer, 2017

2.2.1 Risks Mitigation in International Trade

Bank needs to have a board or board committee which approved risk appetite statement that clearly communicates the sum of risk as a percentage of capital that the bank is willing to require in seeking after its strategic goals in trade finance and services activities and additionally create a policy which recognize the products, target markets, prospective customers, and desirable countries. It also ought to set limits, documentation requirements, and parameters for monitoring and reporting.

Buyer can mitigate the trade related risks by dealing with the counterparty who has sound reputation or established track record and request for performance guarantee to protect non-performance risk. Initially buyer make agreement on more secure methods of payment such as documentary credit or open account and acknowledge and respect cultural differences with the seller. Buyer needs to buy and sell in same currency to minimize foreign exchange risk. Alternatively, the buyer can hedge against foreign exchange risk by entering a forward or option foreign exchange contract with a bank. When financing is required, enter into a fixed interest rate loan in trading currency or interest rate swap agreement to mitigate against interest rate risk. Buyer must ensure adequate protections scope against transit risk. It is better that Buyer always have a possibility arrangement against ominous events.

There are some risk mitigations for Seller who deals with its counterparty with sound reputation or established track records and engage a trustworthy credit agency or credit insurer to play down buyer's insolvency or credit risk. Seller needs to

- Engage on more secured methods of payment such as documentary credit or advance payment.
- Avoid granting excessive credit period or limit to the buyer.
- Ensure that the sales contract or documentary credit does not contain ambiguous or erroneous terms and conditions that are subject to future disputes.
- Acquire sufficient knowledge in document preparation to mitigate against documentation risk.

- Acknowledge and respect cultural differences with the buyer.
- Buy and sell in same currency to minimize foreign exchange risk. Alternatively, the buyer can hedge against foreign exchange risk by entering a forward or option foreign exchange contract with a bank.
- If financing is needed, enter into a fixed interest rate loan or interest rate swap agreement to mitigate against interest rate risk.
- Ensure sufficient insurance coverage against transit risk.
- Engage a representative in the buyer's country to deal with the goods or relevant parties in case of non-payment or non-acceptance by the buyer.
- Always have a contingency plan against unfavourable event.

2.3 Influencing Factors on Customers Satisfaction

Parasuraman suggested the five dimensions of service quality and those dimensions include tangibles, reliability, responsiveness, assurance, and empathy. These dimensions are the basis for service quality measurement (Parasuraman et al., 1988). Parasuraman et al. (1991) argued that reliability was mainly concerned with the outcome of service whereas tangibles, responsiveness, assurance, and empathy were concerned with the service delivery process. The customers not only judge the accuracy and dependability (i.e. reliability) of the delivered service but they also judge the other dimensions as the service is being delivered.

2.3.1 Reliability

According to some empirical studies, reliability is the most important dimension of determination in Service quality. It is vital to make customers to trust that the bank is going to perform what it promises to do. Reliability defines the ability to perform the promised service dependably and accurately. Due to the reputation and dependability the customers choose their main bank to do the financial transactions. Bank can increase their customers' confidence and trust by providing reliable service through their well- trained employee.

2.3.2 Assurance

Assurance is the knowledge and courtesy of banking employees and their ability to give the confidence and trust as positively declared. Commitment are important in Banking Industry as customer place their huge amount of money in utilizing trading finance products. Bank employee must provide accurate information and explanation on the complex trade transactions so that the customers can feel confident about the provided services.

Assurance is the credibility and the ability for to inspire trust and confidence in their customers. Most often assurance is measured by the way banks demonstrate 'competence' in service provision. When a bank has the right set of skilled and knowledgeable to provide required service, they inspire confidence in customers, which enhances the assurance customers have in the bank (Arasli, Smadi & Katircioglu, 2009)

2.3.3 Responsiveness

Moreover, responsiveness is the organized reaction towards the customers' needs and wants that is timely, and within the anticipation of the customer (Gritti and Foss 2007). Gupta and Dev (2012) on the other hand, defined responsiveness as the intensive efforts of a bank does, to ensure that customer needs are met within particular times.

2.3.4 Products

Product is one of the most important drivers of bank strategy. Billions of dollars spent by banks anxious to gain access to new product areas. Strategic alliances have come and gone and the bank assurance model has been in and out of fashion on more than one occasion. According to Didier, considering a marketing perspective, quality denotes a product's ability to satisfy a customer's requirements. On this wise, this definition focuses entirely on the customer, and how the customer thinks a product will fit that purpose. Parasuraman, Zeithaml and Berry, (1991) mentioned on the necessity of distinguishing product quality, as the aspects which are assessed differently. Consumers use product specific intrinsic cues to evaluate product quality. Simultaneously, consumers also trust the relevant extrinsic product cues such a price, brand name, and store name as indicators of product quality.

Product customization has been recognized as an effective means to meet individual customers' needs. It is imperative to assist customers in making informed decisions with regard to company capabilities and the added value of customization. Customer value analysis not only empowers customers to express their preferences for various product features explicitly, but it also facilitates the company's justification of different customization solutions. Facing the buyers' market, many industries are shifting from mass production to mass customization. Previously homogenous markets have evolved to be fragmented and heterogeneous, where customers may express their individual needs (Parasuraman, Zeithaml, and Berry, 1994).

2.3.5 Tangibility

Tangibility refers to the physical aspects of a product or service. In the banking industry, this refers to the physical attributes of the bank and its services, such as the banking building, the banking halls aesthetics, the waiting area, the banking seats, and accessibility. Maintaining a professional and comfortable environment can increase customer satisfaction.

2.3.6 Customer Satisfaction

Many researchers conceptualize customer satisfaction as an individual's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. It postulates that, the feeling of satisfaction is a result of the comparison between perceptions of a product's performance and expectations. Customer Satisfaction is the major role in today trade finance business.

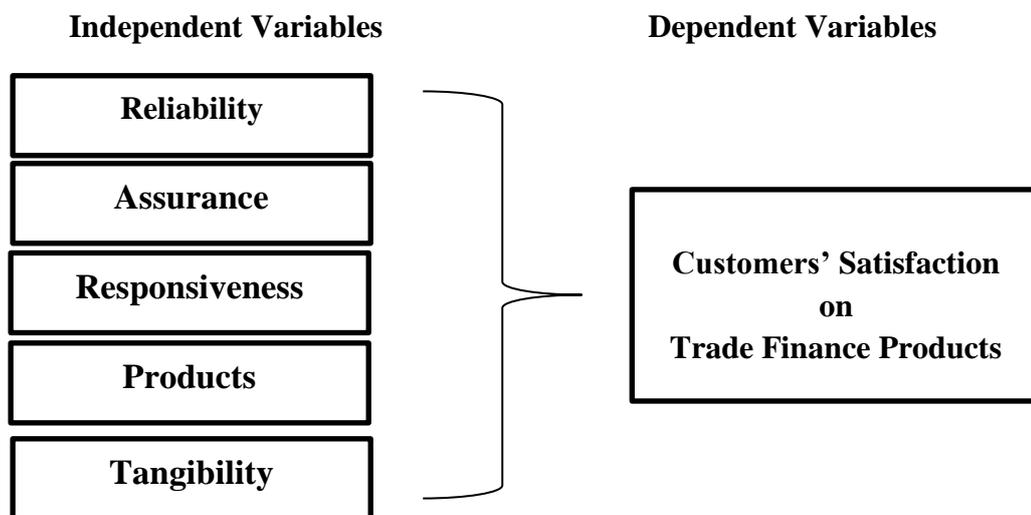
According to the result of World Trade Organization, customer satisfaction is a psychological concept that involves the feeling of well-being and pleasure that results from obtaining what one hopes for and expects from an appealing product and services.

Therefore the above discussed factors (Reliability, Assurance, Responsiveness, Product and Tangibility) are the influencing factors on trade finance services towards customer satisfaction.

2.4 Conceptual Framework of the Study

On the basis nature and scope of this study, conceptual framework was created. It shows the relationship among the concepts and clarifies the underlying process, which is used to guide this study. This is referred to the previous paper of “Factors influencing customer satisfaction in commercial banks” in 2018

Figure 2.7 Conceptual Framework of the Study



Source: Adopted from Ali Warsame A.M, 2018.

CHAPTER 3

TRADE FINANCE SERVICES OFFERED BY YOMA BANK

This chapter highlights the brief discussion of trade finance in Myanmar, the profile of Yoma Bank and followed by its various international trade finance services.

3.1 Trade Finance in Myanmar

Trade finance liberalization can provide more financing opportunities for Myanmar traders. However, there are still some limitations for both, foreign and local banks. Although foreign banks with their expansive network, experience, capital and technology could easily facilitate Myanmar's external trade, they face difficulties in accessing local trade firms as many firms lack reliable and standardized financial records and statements that foreign banks are accustomed to. Moreover, the lack of credit bureau information makes it difficult for foreign banks to assess the creditworthiness of local traders. This issue is also the reason why local banks only extend trade financing facilities to their long-term corporate customers.

Therefore, local exporters and importers, especially small and medium sized trading firms, find it hard to get local bank financing to promote their businesses in a sustainable way. A few local lenders have established trade connections with other foreign financial institutions, but low credit ratings of local banks generally limit the amount of business they can underwrite, and many foreign banks still do not accept letter of credits from Myanmar banks. In addition, trade finance facilities are new to the local bankers and their limited expertise in trade finance, low IT capacities, scarcity of foreign exchange and poor risk management further impede external trade financing to local trade firms. Furthermore, exchange rate risks and the lack of modern hedging instruments, such as swaps and forward contracts, make it often unattractive for local banks to enter the trade financing business. (Myanmar Banking Report by GIZ in 2018)

A number of international and regional organizations are directly or indirectly involved in trade finance infrastructure development in Asian and Pacific transition economies. At the global level, BIS, ICC, IMF, ITC, IFC and the World Bank are

among the most important organizations. At the regional level, ADB, has been involved in trade finance infrastructure development.

In 2015, the government of Myanmar and the Asian Development Bank (ADB) signed an agreement that will allow ADB to expand its Trade Finance Program (TFP) into Myanmar in order to support local banks in trade finance, ADB launched TFP and pledged up to USD 12 million in annual guarantees and signed a first agreement with the CB bank in October 2015. In 2016, two more banks – the United Amara Bank (UAB) and YOMA bank – joined the TFP. The UAB receives guarantees worth up to USD 4 million each year for international letters of credit, while YOMA is provided with guarantees of at least 10 million USD annually to support trade, especially for local SMEs. Since ADB has an AAA credit rating, local banks participating in the TFP will be able to finance larger trade transactions. They will also be provided with capacity development support in risk management, trade finance products and operations, and fraud prevention. (Myanmar Banking Report by GIZ in 2018)

The Global Trade Finance Program (GTFP) extends and complements the capacity of banks to deliver trade financing by providing risk mitigation in new or challenging markets where trade lines may be constrained. Under GTFP, IFC has issued guarantees covering over 54,000 transactions to date for more than \$60 billion.

GTFP offers confirming banks partial or full guarantees to cover payment risk on banks in the emerging markets. These guarantees are transaction-specific and apply to letters of credit, trade-related promissory notes and bills of exchange, bid and performance bonds, advance payment guarantees and supplier credits for the import of capital goods. In addition, IFC provides funding to banks for short-term pre-export financing. Yoma Bank is included in the Issuing Banks Lists of GTFP Programme of IFC. (IFC – GTFP Program).

3.2 Profile of Yoma Bank

The Bank was founded by Mr. Serge Pun @ U Thein Wai and its first branch was opened in July 1993 in front of the iconic Aung San Stadium in Yangon.

Myanmar experienced a financial crisis which had a significant impact on the banking industry in 2003. This led to the closure of many private banks while Yoma Bank's business activities were severely limited and had to sustain on domestic remittances only. Yoma Bank's domestic remittance service still remains to be the most reliable and trusted in the country.

In August 2012, since Yoma Bank regained its full banking license, a new chapter started. With more than 74 branches over Myanmar, the Bank strives to become a leading SME Bank in Myanmar. In 2014, the International Finance Corporation's (IFC) first specifically invested in Yoma Bank in Myanmar and it benefitted from a comprehensive 3-year advisory package to upgrade credit risk management, finance, treasury, product development and to procure a new core banking system (Misys Fusion Banking Essence). Yoma Bank receives ongoing technical assistance from GIZ, the German development agency, as well to progress and grow our SME lending. (www.yomabank.com)

In 2016 Yoma Bank, in conjunction with Telenor Southeast Asia Investment Pte Limited, Telenor Go Pte Limited & Telenor Global Services Singapore Pte Limited, founded Wave Money, Myanmar's first mobile financial service and now the largest mobile money platform within the nation.

A policy change in Myanmar permitted Myanmar banks to start lending to microfinance institutions ("MFIs"). This empowered Yoma Bank to provide better support to small entrepreneurs to construct and develop their businesses. This year agreements were signed with six MFIs totaling an approved value of MMK 67.2 billion, for which total MMK 35.5 billion in funding has already been made, and more are within the pipeline. Proximity Finance formed a back-to-back funding agreement with Yoma Bank in September 2017, empowering them to reach a further 28,000 new farmer households across Myanmar. Since then, more deals have enabled Yoma Bank to reach over 50,000 additional families. These initiatives have helped previously non-banking communities gain access to formal financial institutions and get small loans to help them run their businesses and navigate life's hurdles.

Yoma Bank prides itself on being a rewarding place to work; Yoma Bank won a total of seven awards at the Myanmar Employer Awards of 2017, including the “Overall Best of the Best Local Myanmar Employer of The Year”. These awards were over all departments from marketing and training to human resource, and reflect the co-operative atmosphere and team spirit of Yoma Bank. Communication is very important to sustain this community and in 2015, Yoma Bank was chosen as the first company in Asia to beta test Workplace by Facebook. Every Yoma Bank is now connected on Workplace and this has transformed internal communication, making it more efficient, intuitive and transparent.

Yoma Bank is one of the biggest and most trusted banks in Myanmar, international organizations put their confidence in Yoma Bank because of its reputation for integrity and good business practices. Myanmar is seen as a country with high growth potential for banking, and Yoma Bank is standing at the forefront when it comes to the areas that have been highlighted as most important: small loans to SMEs and customer focused digital banking. Yoma Bank believes that through reaching small-scale entrepreneurs, and through working with them, it can not only help communities build Myanmar’s economy, but also continue to grow Yoma Bank. (FMI Annual report 2017-2018)

With its Environment and Social Policy, Yoma Bank endeavors to secure our natural environment and protect the rights and livelihoods of all Myanmar people. In all its activities, Yoma Bank adheres to strict international environmental and human rights standards and encourages and assists its business partners to do the same. Yoma Bank believes profit and responsibility are not mutually exclusive, and that, acting together, Myanmar’s finance industry can do well by doing great. (www.yomabank.com)

3.3 Trade Finance Services at Yoma Bank

Since 2014 Yoma Bank organized its experienced international trade finance team in order to provide Trade Finance Services such as Import Services, Export Services and Bank Guarantee Services to importers and exporters according to their trading objectives.

Import Services includes issuing Letter of credit, Import Financing/Trust Receipt Loan, Invoice Payable Financing, Inward Documentary Collection (DA/DP) and Shipping Guarantee Services.

Export Services includes advising, negotiating, discounting Letter of Credit, adding confirmation to Letter of Credit, transferring Letter of Credit, Outward Documentary Collection (DA/DP), Packing Credit – Pre Shipment Financing and Post Shipment Financing.

Trade Finance Facility, a consolidated working capital facility, and usually on demand, provided by Yoma Bank to Borrower with an aggregate credit limit allocated among a variety of trade finance products. Typical trade finance products available under a Trade Finance Facility includes Issuance of import L/C, Issuance of back-to-back L/C, Issuance of standby L/C, Import loans under L/C / Trust Receipt, Shipping guarantee, Import loans under collection, Export loans under collection, Export L/C negotiation or financing.

Advantage to Borrower is that it provides Borrower with a variety of trade finance solutions (e.g. payment options) as may be required from time to time depending on their import and export activities or what is required under their Sales Contract. This type of facility would typically be documented under an individual Bank's general facility letter with the Bank's trade specific terms and conditions annexed and incorporated. The main security granted for this type of financing is pledges over the Shipping Documents in the L/C Collection process. Such security or pledges may often be created under the opening mandate letter or by entering into a trade security document over the trade related proceeds.

Trust Receipt Financing (TR) is a type of short-term import loan to provide the buyer with financing to settle goods imported under Letter of Credit where title of goods is held by the bank. Under a TR arrangement, the Bank retains title to the goods but allows the buyer to take possession of the goods on trust for resale before paying the Bank on TR due date. TR financing is applicable to goods imported under documentary credit. The Bank issues L/C to purchase goods from Seller but where the Bank allows the goods to be released from the pledge in order for the Buyer to on sell

the goods to an End Customer. The release is conditional that the Pledgor, i.e. the Buyer, acknowledges that it holds the goods and proceeds of sale from the End Customer on trust for the Bank. Therefore, in the event of an insolvency of the Buyer those goods and proceeds remain outside the general bankruptcy estate of the Buyer and can be claimed by the Bank to settle the original facility or credit line.

Buyer may enjoy the following benefits under TR/Import Invoice Financing:

- Do not need to effect payment immediately when documents are presented under documentary credit, documentary collection or open account.
- Financing can be up to 100% of the documentary credit, documentary collection or invoice value.
- Enjoy credit terms pre-approved by the Bank, with principal and interest only payable on maturity.
- Buyer's working capital or cash flow is not tied up and can be deployed for other business purposes

Risks for the Bank is that notwithstanding the pledge over goods and undertaking to keep goods separate in warehouse, for certain types of goods and commodities (e.g. oil) it may be the case that the commodity is co-mingled in storage or while shipping. Therefore, on an insolvency of the Buyer, notwithstanding the commodity is held on trust for the Bank, tracing will be difficult. However, some commodities like oil is fungible and the law has developed methods to account for goods of an exact equivalent provided it is still held on trust for the Bank.

Irrevocable Letter of Credit: All Letter of Credit issued under UCP600 are irrevocable. This can neither be amended nor cancelled without the agreement of all the parties concerned. The payment by the Issuing Bank is guaranteed provided that the Beneficiary (Seller/Exporter) satisfies all the terms and conditions of the Letter of Credit.

Revocable Letter of Credit: Not often used in the modern era. This may be amended or cancelled by the Issuing Bank at any time and without notice to the Beneficiary. However, payments or drafts negotiated within the terms of the credit before receipt of the revocation or amendment notice from the Issuing Bank remain

validly binding for all parties. Negotiability is restricted to the Advising Bank and Confirmation is usually not available.

Confirmed Letter of Credit: Letter of Credit in which the commitment of another bank (the Confirming Bank, which is mostly the same as the Advising Bank) has been added to that of the Issuing Bank, upon authorization or request of the latter. The confirmation represents a definite undertaking by the Confirming Bank, which obligates itself in the same manner as the Issuing Bank. It is used to back up the credit standing of the Issuing Bank and to mitigate risk by replacing a foreign bank risk with a domestic bank risk.

Unconfirmed Letter of Credit: Letter of Credit which has been advised through an Advising Bank, acting as an agent of the Issuing Bank, without however assuming any responsibility towards the Beneficiary except for taking reasonable care to check the apparent authenticity of the Documentary Credit which it advises. There is only the Issuing Bank's undertaking for payment of this LC provided that the stated terms and conditions are met.

Revolving Letter of Credit: A type of Letter of Credit issued only once and through which the money made available to the Seller, after being drawn within a stated period of time, will again become available in the future, usually under the same terms and without another Letter of Credit being issued. This type of credit is used in connection with regular and ongoing purchases from a foreign supplier. The revolving element may be linked to time and/or value.

Red Clause (Advance Payment) Letter of Credit: The seller can request an advance for an agreed amount of the LC before shipment of goods and submittal of required documents. This red clause is so termed because it is usually printed in red on the document to draw attention to "advance payment" term of the credit.

Transferable Letter of Credit: This Letter of Credit enables the Seller to assign part of the credit to other party (ies). This LC is especially beneficial in those cases when the Seller is not a sole manufacturer of the goods and purchases some parts from other parties, as it eliminates the necessity of opening several LC's for other parties.

Back-to-Back LC. This LC type considers issuing the second LC on the basis of the first letter of credit. LC is opened in favor of intermediary as per the Buyer's instructions and on the basis of this LC and instructions of the intermediary a new LC is opened in favor of Seller of the goods.

Stand-by LC. This LC is closer to the bank guarantee and gives more flexible collaboration opportunity to Seller and Buyer. The Bank will honour the LC when the Buyer fails to fulfill payment liabilities to Seller

Financing against Documentary Collections

A seller may seek an advance from its bank, in anticipation of the proceeds of a collection. Alternatively, a collection may be handled as a 'negotiation', when the seller will sign an undertaking in addition to the collection instruction. In a negotiation, the seller's bank will agree to pay the seller immediately the value of the draft. This type of arrangement would be with recourse to the seller, meaning that if the bank were unable to obtain payment from the importer, it would come back to the seller to retrieve its payment. The seller would also agree to pay interest for the period between the negotiation date and the date when the remitting bank receives payment.

Finance can also be provided to the buyer, by the buyer's bank, by way of an advance to the buyer, to help pay the sight or term draft. The buyer's bank may also provide a form of additional acceptance to the draft accepted by the buyer. This is common in a number of European countries and is known as 'avalisation', because the bank signs on the draft with the words 'Bon pour aval'. Clearly, with the collecting bank's name on the draft, the collecting bank effectively guarantees payment. Thus, it is possible for financing to be raised on the draft prior to the due date on the strength of the bank avalisation. The prior permission of the buyer and its bank should be obtained before submitting a collection instruction with a request for avalisation. The bank's acceptance 'pour aval' will incur further bank charges, and, prior to the collection being dispatched, the buyer and seller must agree who will be responsible for these charges. Collecting banks must not release the documents unless

they are prepared to avalise the draft, and to do so, they should ensure that the buyer is financially capable of paying the draft on the due date.

Pre-shipment financing: for the period prior to the shipment of goods, to support pre-export activities, such as wages and overhead costs. It is especially needed when inputs for production must be imported. It also provides additional working capital for the exporter. Pre-shipment financing is especially important to smaller enterprises because the international sales cycle is usually longer than the domestic sales cycle. Pre-shipment financing instruments can take the form of short-term loans, overdrafts or cash credits.

Post-shipment financing: for the period following the shipment of goods. The competitiveness of exporters often depends on their ability to provide buyers with attractive credit terms. Post-shipment financing thus ensures adequate liquidity until the purchaser receives the products and the exporter receives payment. Post-shipment financing is usually short-term.

Bank Guarantee Services: includes Tender Guarantee / Bid Bond, Performance Guarantee, Advance Payment Guarantee, Standby Letter of Credit (SBLC).

Bank Guarantee (Tender/Advance payment/Performance Guarantee)

Bank Guarantee (BG) is a definite undertaking by the bank (guarantor) to pay the beneficiary a certain sum of money within a specified period if the applicant (principal) fails to fulfill his contractual or other obligations of an underlying transaction. It is normally used to secure either a financial or performance obligation of the principal.

BG can be issued to both local and overseas beneficiary either in the form of hardcopy or transmitted via SWIFT message MT760 or MT799. For BG that is issued in favour of an overseas beneficiary, it may be communicated to the beneficiary as follows:-

- BG is transmitted to an appointed correspondent bank by authenticated SWIFT (MT760 or MT799), requesting the bank to advise the beneficiary and/or add its own confirmation; or
- Request a correspondent bank to issue a counter guarantee in favour of the beneficiary on behalf of the Bank and in accordance with a specific format.

Standby Letter of Credit

Standby letters of credit are common bank instruments that also may be used in trade finance. For example, a bank issues a standby letter of credit on behalf of a client involved in a long-term project. Normally that project stipulates that the client adhere to certain performance measures. The standby letter of credit is used to ensure payment to the beneficiary if the bank's client fails to perform as contractually agreed. A standby letter of credit is not used to finance the purchase or shipment of goods

CHAPTER 4

ANALYSIS ON INFLUENCING FACTORS ON CUSTOMERS' PERCEPTIONS OF INTERNATIONAL TRADE FINANCE SERVICES OF YOMA BANK

This chapter presents the Customers' Perceptions upon International Trade Finance Services of Yoma Bank and it is based upon the survey conducted Yoma Bank Head office. This chapter is organized with four major sections. Firstly, it is started with the research methods of this paper, followed by analysis on demographic profile of respondents, measurement on respondent's perceptions on International Trade Finance Services of Yoma Bank. Finally, this chapter is terminated with relationship testing between International Trade Finance Services of Yoma Bank and Customer Satisfaction.

4.1 Research Design

The questionnaire consists of three parts. In order to get the quantitative data, the close ended structured questions are used. To investigate the demographic profiles of the respondents, closed ended questions are used in part one. Indeed, the current paper is intended to contribute the research objectives based on customers' feelings and perception on the International Trade Finance Services of Yoma Bank. In part two, there are 30 questionnaire items in order to measure the Customers' perceptions on International Trade Finance Services of Yoma Bank towards Customers Satisfaction. The questionnaire is prepared by using five-point Likert scale. 1 means "strongly disagree", 2 means "disagree", 3 means "neither disagree nor agree", 4 means "agree" and 5 mean "strongly agree" to the stated items of research questionnaire.

For data entry, the Microsoft Office (2010) is used and for calculating the mean score and standard deviation of the respondents' answer, SPSS software is used. For data analysis, the mean score less than 3 is interpreted as the International Trade Finance Services attributes have negatively influencing effect on Customer perceptions level and the mean score that is greater than 3 is interpreted as the International Trade Finance Services of Yoma Bank attributes have positively influencing effect on Customer perceptions.

4.2 Demographic Profile of the Respondents

This section present about the methods used in this paper. This paper is intended to investigate the customer perceptions upon the International Trade Finance Services of Yoma Bank towards customer satisfaction.

In order to contribute the research objectives of this paper, primary data necessary need to be collected. Therefore, qualitative survey method, in which survey questionnaire is choose to use as a medium between the researcher and the respondents in order to conduct survey. In the head office of Yoma Bank, there are 100 international trade finance services customers. This paper is intended to inspect 50 % of international trade finance services customer. Therefore 50 customers who always come to Yoma Bank head office was selected by simple random sampling method. The customers whoever firstly come to Yoma Bank are intended to survey by using the questionnaire.

The demographic profiles of the targeted 50 respondents are described in below table (4.1). It presents demographic distributions of the respondents in terms of gender, age, education, occupation, type of business, Transactions routed by country-wide and type of trade service used.

Table (4.1) Demographic Profile of Respondents (N = 50)

| Demographic Factors | Items | Numbers of Respondents | Percentage |
|----------------------------|-------------------------|-------------------------------|-------------------|
| 1. Gender | • Male | 26 | 52 |
| | • Female | 24 | 48 |
| Total | | 50 | 100 |
| 2. Age | • Less than 20 years | - | - |
| | • 21 to 30 years | 10 | 20 |
| | • 31 to 40 years | 15 | 30 |
| | • 41 to 50 years | 17 | 34 |
| | • 51 years above | 8 | 16 |
| Total | | 50 | 100 |
| 3. Education | • University Graduated | - | - |
| | • Post-graduate diploma | 34 | 68 |
| | • Master Degree | 16 | 32 |
| | • PhD | - | - |
| Total | | 50 | 100 |
| 4. Occupation | • Business owner | 10 | 20 |
| | • Management level | 28 | 56 |
| | • Company Employee | 12 | 24 |
| | • Agent | - | - |
| | • Others | - | - |
| Total | | 50 | 100 |
| 5. Type of Business | • Agricultural | - | - |
| | • Manufacturing | - | - |
| | • Importing | 38 | 76 |
| | • Exporting | 12 | 24 |
| | • Diesel & Mo Gas | - | - |
| | • Other | - | - |
| Total | | 50 | 100 |

| | | | |
|--|--|----|-----|
| 6. Transactions routed by country-wide | • China | 22 | 44 |
| | • ASEAN Countries | 9 | 18 |
| | • European Countries | 10 | 20 |
| | • North/South America | - | - |
| | • Others | 9 | 18 |
| Total | | 50 | 100 |
| 7. Type of Trade Services used | • Telegraphic Transfer (TT) by Open Account | 5 | 10 |
| | • Telegraphic Transfer (TT) by Cash in Advance | 5 | 10 |
| | • Documentary Collection (DP) | - | - |
| | • Documentary Collection (DA) | - | - |
| | • Letter of Credit | 25 | 50 |
| | • Bank Guarantee | 15 | 30 |
| | • Other | - | - |
| Total | | 50 | 100 |

Source: Survey data, 2019

Among the 50 numbers of targeted respondents, Table (4.1) illustrated that, majority are male group with (52.00%) of total population. Concerning with the distribution of age, age range from 41-50 years old is highest population (34.00%) while there is no the age range less than 20 years. In case of education levels, majority (68.00%) of total population are post-graduated. Concerning with the occupation, majority of respondents (56.00%) of total population are management level while there is (20.00%) of respondents are business owners.

Concerning with the types of business, majority of respondents (76.00%) of total population are importing business. Concerning with the transaction routed by

country-wide, majority of respondents (44.00%) of total population are trading with China while there is (18.00%) of respondents are trading with ASEAN Countries. Concerning with the types of trade service used, majority of respondents (50.00%) of total population are using Letter of Credit services while there is (10.00%) of respondents are using Telegraph Transfer TT services.

4.3 Reliability Test

Reliability test is one of the traditional way researcher test their primary research variable. In this test measuring the consistency between data collected. In addition, Reliability test providing clear statement that which variable reliable and which one is not and based on the test researcher proceed the research.

Table (4.2) Reliability for Variables

| No | Variables | No of Items | Cronbach's Alpha |
|----|--------------------------|-------------|------------------|
| 1 | Customers Perception | | |
| | 1. Reliability Factor | 5 | 0.77 |
| | 2. Assurance Factor | 5 | 0.77 |
| | 3. Responsiveness Factor | 5 | 0.74 |
| | 4. Product Factor | 5 | 0.82 |
| | 5. Tangibility Factor | 5 | 0.77 |
| 2 | Customer Satisfaction | 5 | 0.91 |

Source: Surveyed data, 2019

In this research total data are collected from 50 respondents. In any case, in reliability test the least passing esteem is 0.7. Therefore, the Cronbach's Alpha esteem must be 0.7 and over to be reliable. The Cronbach's Alpha esteem of all variables in this research are above 0.7. Therefore, all data are strongly reliable for this research.

4.4 Customer Perception on International Trade Finance Services

This section presents the results of the survey regarding with the customer perception on international trade finance services of Yoma Bank. Firstly, the mean value and standard deviation of customer perceptions on reliability, assurance, responsiveness, product and tangibility factors are acquired. Also, presents the results of the survey regarding with customer perception on International Trade Finance Services of Yoma Bank. Moreover, analyzed on customers satisfaction on International Trade Finance Services of Yoma Bank.

4.4.1 Customers' Perception on Reliability

Customer perceptions on reliability are determined based upon practices that have been adapted in Yoma Bank. The detail items are illustrated in Table (4.3).

Table (4.3) Reliability Factor (Independent Variable)

| Sr No. | Statement | Means | Std. Deviations |
|---------------------|--|-------|-----------------|
| 1 | Yoma Bank has the reliable correspondent banking network | 4.08 | 0.274 |
| 2 | Yoma Bank's Trade Services are accountability and transparency to every customer who take the services. | 4.02 | 0.141 |
| 3 | Yoma Bank meets their promised time-frames for Customer responses. | 4.16 | 0.370 |
| 4 | Yoma Bank has a good reputation in the banking industry and good corporate governance | 4.44 | 0.501 |
| 5 | Yoma Bank has experienced products experts who can advises their customers in accordance with their needs. | 4.54 | 0.503 |
| Overall Mean | | 4.25 | |

Source: Survey data, 2019

According to survey data, overall mean value of customer perception on reliability is 4.25. Therefore, it can be concluded that the customers have positive perception on reliability of international trade finance services of Yoma Bank. Most customers strongly agree to the reliability of international trade finance services. Moreover, among the individual items, item used to measure “Yoma Bank has experienced products experts who can advise their customers in accordance with their needs.” get the maximum mean score (4.54) while the item used to measure “Yoma Bank’s Trade Services are accountability and transparency to every customer who take the services” get the minimum mean score (4.02).

4.4.2 Customer Perception on Assurance

In this portion, customer perception on assurance of international trade services of Yoma Bank are measured and the detail items are illustrated in Table (4.4).

Table (4.4) Assurance Factor (Independent Variable)

| Sr No. | Statement | Means | Std. Deviations |
|---------------------|--|-------|-----------------|
| 1 | Yoma Bank’s employee provide the efficient and effective services to its customers | 4.02 | 0.141 |
| 2 | Yoma Bank’s customers feel safe and sound when doing transactions with its employee | 4.04 | 0.198 |
| 3 | Employees should get adequate support from the bank to do their job well done. | 4.14 | 0.351 |
| 4 | All required information are promptly provided by the employee upon customers’ request | 4.30 | 0.463 |
| 5 | Yoma Bank Trade operating hours is convenient to all customers. | 4.46 | 0.503 |
| Overall Mean | | 4.20 | |

Source: Survey data, 2019

According to Table (4.4), overall, mean score for customer perception on assurance is 4.20. Therefore, most customers strongly agree to the assurance of international trade finance services. It can be concluded that the customers have positive perception on assurance of international trade finance services of Yoma Bank. Among the individual items, item used to measure “Yoma Bank Trade operating hours is convenient to all customers.” get the maximum mean score (4.46) while the item used to measure “Yoma Bank’s employee provide the efficient and effective services to its customers” get the lowest men score (4.02).

4.4.3 Customers’ Perceptions on Responsiveness

Responsiveness of International Trade Services of Yoma Bank are also analysed. In this portion, customer perceptions on Responsiveness of International Trade Services of Yoma Bank are measured and the items in table (4.5) are used.

Table (4.5) Responsiveness Factor (Independent Variable)

| Sr No. | Statement | Means | Std. Deviations |
|---------------------|--|-------|-----------------|
| 1 | Yoma Bank’s Trade Finance employees are willing to listen to and try to understand the customers’ needs. | 4.00 | 0.202 |
| 2 | Duration of processing time is within the agreed time frame. | 4.04 | 0.198 |
| 3 | Communication by email, phone and in person of Yoma Bank’s employees is fast and efficient | 4.12 | 0.328 |
| 4 | Trade employees has sufficient knowledge to response promptly to the customer requests. | 4.28 | 0.454 |
| 5 | Trade employees are always willing to help customers | 4.44 | 0.501 |
| Overall Mean | | 4.18 | |

Source: Survey data, 2019

According to survey data, overall customers' perceptions mean score is 4.18 with minimum standard deviation (0.198) and it can roughly conclude as customers have positive perceptions on Responsiveness of International Trade Services of Yoma Bank. It can be concluded that most customers strongly agree to the above statements. Among the individual items, item used to measure "Trade employees are always willing to help customers" get the maximum mean score (4.44) while the item used to measure "Yoma Bank's Trade Finance employees are willing to listen to and try to understand the customers' needs." get the lowest mean score (4.00).

4.4.4 Customers' Perceptions on Products

Products of International Trade Services of Yoma Bank are also analysed. In this portion, customer perceptions on Products of International Trade Services of Yoma Bank are measured and the items in table (4.6) are used.

Table (4.6) Product Factor (Independent Variable)

| Sr No. | Statement | Means | Std. Deviations |
|---------------------|---|-------|-----------------|
| 1 | Yoma Bank can provide various international Trade Finance Services which are accountability | 4.02 | 0.141 |
| 2 | The products are designed according to the requirement of the customers. | 4.04 | 0.198 |
| 3 | Products experts are available for advisory services | 4.14 | 0.351 |
| 4 | The Products are effectively useful in Myanmar market | 4.30 | 0.463 |
| 5 | The products are easily accessible whether simple or complex | 4.46 | 0.503 |
| Overall Mean | | 4.19 | |

Source: Survey data, 2019

According to survey data, overall customers' perceptions mean score is 4.19 with minimum standard deviation (0.141) and it can roughly conclude as customers

have positive perceptions on Products of International Trade Services of Yoma Bank. It can be concluded that most customers strongly agree to the above statements. Among the individual items, item used to measure “The products are easily accessible whether simple or complex” get the maximum mean score (4.46) while the item used to measure “Yoma Bank can provide various international Trade Finance Services which are accountability’ needs.” get the lowest men score (4.02).

4.4.5 Customers’ Perceptions on Tangibility

Tangibility of International Trade Services of Yoma Bank are also analysed. In this portion, customer perceptions on Tangibility of International Trade Services of Yoma Bank are measured and the items in table (4.7) are used.

Table (4.7) Tangibility Factor (Independent Variable)

| Sr No. | Statement | Means | Std. Deviations |
|---------------------|--|-------|-----------------|
| 1 | Yoma Bank has up-to- date core banking system | 4.03 | 0.141 |
| 2 | Yoma Banks Physical facilities are visually appealing. | 4.10 | 0.198 |
| 3 | Appearance of the physical facilities of the bank are consistent with the type of service industry | 4.13 | 0.351 |
| 4 | Good customer service area and offices has enhanced my satisfaction with the bank | 4.30 | 0.463 |
| 5 | Appearance of Bank’s employees and executives are impressive. | 4.51 | 0.503 |
| Overall Mean | | 4.21 | |

Source: Survey data, 2019

According to survey data, overall customers’ perceptions mean score is 4.21 with minimum standard deviation (0.141) and it can roughly conclude as customers have positive perceptions on Tangibility of International Trade Services of Yoma Bank. It can be concluded that most customers strongly agree to the above statements. Among the individual items, item used to measure “Appearance of Bank’s employees

and executives are impressive.” get the maximum mean score (4.51) while the item used to measure “Yoma Bank has up-to- date core banking system.” get the lowest mean score (4.03).

Table (4.8) Overall Means of Independent Variables

| Sr No. | Variables | Means |
|--------|-----------------------|-------|
| 1 | Reliability Factor | 4.25 |
| 2 | Assurance Factor | 4.20 |
| 3 | Responsiveness Factor | 4.18 |
| 4 | Product Factor | 4.19 |
| 5 | Tangibility Factor | 4.21 |

Source: Survey data, 2019

According to Table (4.8) all of the International Trade Service Factors have the positive mean score. Among them, customer perception on reliability factor get the highest mean score (4.25) whereas the customer perception on responsiveness factor get the lowest mean score (4.18). It can be concluded that most customers are reliable on international trade finance services of Yoma Bank.

4.5 Customer Satisfaction

In this portion, customer satisfaction on international trade finance services of Yoma Bank are measured. That include that the questionnaire like whether Yoma Bank has wide range of correspondent banking network so that the transactions are smooth and charged at low cost, Yoma Bank’s employees are polite and help its customers with responsive best trade solution, Reasonable cost is applied to each Trade Finance Product, Variety of Trade Products and efficient services provided by Yoma Bank is very useful and effective, The customers’ information are secured at the bank all the time and the detail items are described in Table (4.9)

Table (4.9) Customer Satisfactory Factor (Dependent variable)

| Sr No. | Statement | Means | Std. Deviations |
|---------------------|--|-------|-----------------|
| 1 | Yoma Bank has wide range of correspondent banking | 4.08 | 0.274 |
| 2 | Yoma Bank's employees are polite and help its customers with responsive best trade solution. | 4.60 | 0.495 |
| 3 | Reasonable cost is applied to each TF Product. | 4.68 | 0.471 |
| 4 | Variety of Trade Products is very useful and effective | 4.78 | 0.418 |
| 5 | The customers' information are secured at the bank all the time. | 4.74 | 0.443 |
| Overall Mean | | 4.58 | |

Source: Survey data, 2019

According to Table (4.9), overall mean value for customer satisfactions on international trade finance services of Yoma Bank is 4.58. It can be concluded that most customers are highly satisfy on the international trade finance services. Among the individual items, item used to measure “Variety of Trade Products is very useful and effective” get the highest mean score (4.78) while the item used to measure “Yoma Bank has wide range of correspondent banking” get minimum mean value (4.08). All of the output attributes have the positive mean score and it can roughly conclude as customers have positive perceptions of satisfaction on International Trade Services of Yoma Bank.

4.6 Analysis on Customer Satisfaction on International Trade Services

The linear regression test will be implemented. Multiple regressions test few independent variables at once with the dependent variable to decide the conceivable linear relationship. International Trade Finance Services Factors as independent variables and Customers' Satisfaction as dependent variables are measured.

Table (4.10) Analysis on Customers' Satisfaction on International Trade Services

| Variables | Unstandardized Coefficients | | β | t | Sig |
|-----------------------|-----------------------------|-----------|---------|-------|------|
| | B | Std Error | | | |
| (Constant) | .230 | 1.656 | | 1.714 | 0.94 |
| Reliability Factor | .819*** | .091 | .660 | 8.982 | .000 |
| Assurance Factor | .734*** | .066 | .283 | 4.895 | .000 |
| Responsiveness Factor | .821*** | .095 | .532 | 3.300 | .000 |
| Product Factor | .693*** | .091 | .601 | 1.475 | .000 |
| Tangibility Factor | .594*** | .066 | .354 | 3.541 | .001 |
| R Square | .780 | | | | |
| Adjusted R Square | .771 | | | | |
| F Value | .634 *** (.000) | | | | |

Source: Survey data, 2019

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

As described in Table (4.10), the specified model could explain about the variation of the influencing of International Trade Finance Services on Customers Satisfaction since the value of R square is about 0.780. The model can explain 77.10 % about the variance of the independent variable and dependent variable because adjusted R square is 0.771.

Responsiveness factors are most highly significant. However, Tangibility factors are lowly significant to customers Satisfaction and significant at 1 percent level. All factors have the expected positive sign. The positive relationship means the increase in all factors of International Trade Finance Service to more promoted

Customers satisfaction. The increase in all factors by 1 unit will also raise the Customers Satisfaction depend upon the variables.

This appeared that all independent variables are significantly positive related to customer satisfaction. The standard coefficient (Beta) value of the variable, reliability of international trade finance services is 0.660. It can be seen, reliability of international trade finance services has the most noteworthy portion. Thus, reliability of international trade finance services has the greatest contribution to increase the customer satisfaction in Yoma Bank.

The standard coefficient (Beta) value of the variable, products of international trade finance services is 0.601. It can be seen, products of international trade finance services has the most noteworthy portion. Thus, products of international trade finance services has the secondly greatest contribution to increase the customer satisfaction in Yoma Bank.

On the other hand, the standard coefficient (Beta) value of the variable, assurance of international trade Finance Services is 0.283. As we can see, Assurance of International Trade Finance Services has the least noteworthy portion. Thus, Assurance of International Trade Finance Services has the lowest contribution to increase the Customers Satisfaction in Yoma Bank.

In summary, the results show that most factors have significant value and the main determination of influencing of International Trade Finance Services on Customers Satisfaction of Yoma Bank. According to the survey findings Reliability and Responsiveness could be significantly raised Customers Satisfaction in International Trade Finance Services of Yoma Bank.

CHAPTER 5

CONCLUSION

This final chapter is the conclusion of the study and summarized for the whole study. It includes three main sections; findings, recommendation and need for further study according to the result of the research. Yoma Bank can have the benefit of awareness of the main factors of customer satisfaction and choice, in order to action on improvement of trade finance services and provide better services to its customers.

5.1 Findings

The objective of this study was to analyze the influencing factors of the customer satisfaction for the trade finance services offered by Yoma Bank. According to the objectives, simple random sampling method was used and observed sample size was 50 respondents who are utilizing trade finance services from trading companies, import and export companies and manufacturing companies.

Descriptive analysis revealed that most respondents fall in the age group of 20-50 years. Concerning their education, about 68 percent of the sample respondents are Post Graduate Diploma holders while 32 percentage is Master Degree Holders. As per results from respondents, most of them are Company Owner or Senior Management Level. There are import and export business, rather than other businesses, companies has been using the Trade Finance Services. The trade transactions are routed through mostly China and then European and ASEAN countries by using in a sequence of Letter of Credit, Telegraphic Transfer (TT) and Bank Guarantee.

5.2 Recommendation and Suggestion

Although trade finance services in Myanmar is still in its infant stage, it has tremendous potential opportunity to create and offer the advanced customized trade finance products. There are also more competitive on trade finance services since that products and services are available in many local private banks, state owned banks, and foreign banks in Myanmar. Yoma Bank should create more innovative customized trade services in order to increase its market share and customer

satisfaction. At the same time, Yoma Bank should maintain their good services facilities to keep customers' positive perception.

In the light with the findings and conclusions of the study, the researchers made the following recommendations:

- First, the management of Yoma Bank would update and improve product qualities and product innovation of trade finance services. The product feature and structure need to be set in line with market demand in attraction of fulfilling the customer needs
- Second, the researchers recommend to the management of Yoma Bank to emphasize and develop service quality measurement tools, in order to satisfy their customers.
- Third, Yoma Bank management is to keep capacity building of its customer service officers and trade experts through efficient human resource talent programs so that the bank can keep its high level of customer satisfaction at all times.

5.3 Need for Future Research

This thesis explored the factors influencing on trade finance services Yoma Bank and the respondents comprise only 50 out of 100 customers because of time limitation and financial constraint. It is only focus on International Trade Services and the customer satisfaction on them. It still needs to be done for in depth finds including related risks and other banking products which can effect on the customer satisfaction. Therefore, it is suggested the future studies should be done by collecting data based on more customers to get more accurate data since trade business grow.

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QUESTIONNAIRE

**Yangon University of Economics
Department of Commerce
Master of Banking and Finance Programme**

**INFLUENCING FACTORS ON CUSTOMERS' PERCEPTIONS OF
INTERNATIONAL TRADE FINANCE SERVICES OF YOMA BANK**

SECTION (A)

ANALYSIS ON SOCIO-DEMOGRAPHIC FACTORS OF RESPONDENTS

Please Tick “✓” in the box that best describes you.

1. Gender of Respondent

- Male Female

2. Age of Respondent

- Less than 20 years 21 to 30 years 31 to 40 years
 41 to 50 years 51 years above

3. Education of Respondent

- University Graduated Post-graduate diploma
 Master Degree PhD

4. Occupation of Respondent

- Business owner Management level Company Employee
 Agent Others (Please specify) _____

5. Type of Business

- Agricultural Manufacturing Importing
 Exporting Diesel & Mo Gas Other Businesses

6. Transactions routed by country-wise

- China ASEAN Countries European Countries
 North/South America Others (Please specify) _____

7. Type of Trade Services used

- Telegraphic Transfer (TT) by Open Account
 Telegraphic Transfer (TT) by Cash in Advance
 Documentary Collection (DP)
 Documentary Collection (DA)
 Letter of Credit
 Bank Guarantee
 Other Services

SECTION (B)
ANALYSIS ON CUSTOMER PERCEPTION OF TRADE FINANCE
SERVICES OF YOMA BANK

Please tick “✓” the score boxes which mostly explains your opinion on the given statement which you think is mostly concerned and reasonable. The levels of score are described as **5=Strongly Agree**, **4=Agree**, **3= Neither Agree nor Disagree**, **2=Disagree** and **1= Strongly Disagree**.

| 1. Reliability Factor (Independent Variable) | | | | | | |
|---|---|---|---|---|---|---|
| No. | Description | 1 | 2 | 3 | 4 | 5 |
| 1 | Yoma Bank has the reliable correspondent banking network | | | | | |
| 2 | Yoma Bank’s Trade Services are accountability and transparency to every customer who take the services. | | | | | |
| 3 | Yoma Bank meets their promised time-frames for Customer responses. | | | | | |
| 4 | Yoma Bank has a good reputation in the banking industry and good corporate governance | | | | | |
| 5 | Yoma Bank has experienced products experts who can advise their customers in accordance with their needs. | | | | | |

| 2. Assurance Factor (Independent Variable) | | | | | | |
|---|---|---|---|---|---|---|
| No. | Description | 1 | 2 | 3 | 4 | 5 |
| 1 | Yoma Bank’s employee provide the efficient and effective services to its customers | | | | | |
| 2 | Yoma Bank’s customers feel safe and sound when doing transactions with its employee | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| 3 | Employees should get adequate support from the bank to do their job well done. | | | | | |
| 4 | All required information are promptly provided by the employee upon customers' request | | | | | |
| 5 | Yoma Bank Trade operating hours is convenient to all customers. | | | | | |

3. Responsiveness Factor (Independent Variable)

| No. | Description | 1 | 2 | 3 | 4 | 5 |
|-----|--|---|---|---|---|---|
| 1 | Yoma Bank's Trade Finance employees are willing to listen to and try to understand the customers' needs. | | | | | |
| 2 | Duration of processing time is within the agreed time frame. | | | | | |
| 3 | Communication by email, phone and in person of Yoma Bank's employees is fast and efficient | | | | | |
| 4 | Trade employees has sufficient knowledge to response promptly to the customer requests | | | | | |
| 5 | Trade employees are always willing to help customers | | | | | |

4. Product Factor (Independent Variable)

| No. | Description | 1 | 2 | 3 | 4 | 5 |
|-----|---|---|---|---|---|---|
| 1 | Yoma Bank can provide various international Trade Finance Services which are accountability | | | | | |
| 2 | The products are designed according to the requirement of the customers. | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| 3 | Products experts are available for advisory services | | | | | |
| 4 | The Products are effectively useful in Myanmar market | | | | | |
| 5 | The products are easily accessible whether simple or complex | | | | | |

5. Tangibility Factor (Independent Variable)

| No. | Description | 1 | 2 | 3 | 4 | 5 |
|-----|--|---|---|---|---|---|
| 1 | Yoma Bank has up-to- date core banking system | | | | | |
| 2 | Yoma Banks Physical facilities are visually appealing. | | | | | |
| 3 | Appearance of the physical facilities of the bank are consistent with the type of service industry | | | | | |
| 4 | Good customer service area and offices has enhanced my satisfaction with the bank | | | | | |
| 5 | Appearance of Bank's employees and executives are impressive. | | | | | |

| 6. Customer Satisfactory Factor (Dependent variable) | | | | | | |
|---|--|---|---|---|---|---|
| No. | Description | 1 | 2 | 3 | 4 | 5 |
| 1 | Yoma Bank has wide range of correspondent banking network so that the transactions are smooth and charged at low cost. | | | | | |
| 2 | Yoma Bank's employees are polite and help its customers with responsive best trade solution. | | | | | |
| 3 | Reasonable cost is applied to each Trade Finance Product. | | | | | |
| 4 | Variety of Trade Products and efficient services provided by Yoma Bank is very useful and effective | | | | | |
| 5 | The customers' information are secured at the bank all the time. | | | | | |

The answer result will be used in MBF thesis for educational purpose only!

Thanks for your kind help and participation!