

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

**DETERMINANTS OF CUSTOMER CHOICE OF BANK**  
**IN YANGON**

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**OCTOBER, 2022**

**DETERMINANTS OF CUSTOMERS CHOICE OF BANK  
IN YANGON**

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

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2018-2022

**OCTOBER, 2022**

## **ABSTRACT**

The main objective of the study is to explore the determinants of customers' choice of bank in Yangon. Both primary and secondary data used to meet the objectives. The respondents of the study are top five banks (KBZ Bank, CB Bank, AYA Bank, MAB Bank and GTB Bank) to contact with the unknown customers. Primary data is collected by face to face interview method with the uses of research questionnaires instruments. A 200 total respondent who have connected to five banks are selected by using random sampling methods. The descriptive statistics and multiple linear regression analysis methods are used to meet the objectives of the study. The independent factors considered in this study include service quality, recommendation, location, reputation, knowledgeable & competent personnel and financial benefits. Based on the results of multiple regression analysis, this study found that service quality and knowledgeable and competent personnel have significant positive influences on decision making for customer choice of banks. By understanding the needs and wants of customers, banker can further improve the quality of service. Training should be conducted from time to time to ensure that staff are fully qualified. In addition to the in-house training, the trainings are conducted by experts from outside the office, and the quality of the employees can be improved and the work can be carried out smoothly. Therefore this study could provide guidelines to the service provider regarding the vital factors that should considered the customers' needs.

## **ACKNOWLEDGEMENTS**

Firstly, I would like to express my grateful gratitude to Professor Dr. Tin Tin Htwe, Rector, Yangon University of Economics for giving permission to conduct this study for the Master of Banking and Finance course.

I would like to express my supervisor sincere gratitude and heartfelt thanks to Program Director, Dr. Tin Tin Htwe, Professor and Head of Commerce Department, Yangon University of Economics, for giving permission, valuable suggestions and encouragement to proceed with this research.

I am thankful for all Professors, Associate Professors, and external lecturers for MBF program who have given me tremendous knowledge throughout the years. And I would like to say my heartiest thanks to all my family, friends, and colleagues who give me the strength and encouragement to accomplish my MBF goal. Without the encouragement, support, and assistance of many people and organization, I would not have been achieved for the study.

In addition, this study was accomplished by the great support and encouragement of all Examiners at Department of Commerce, Yangon University of Economics.

Also, my heartfelt thanks to CEO of KBZ Banks, AYA Banks, CB Banks, MAB Banks and GTB Banks permitted to use the necessary data and respondents by customers to provide the data for my thesis.

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# CHAPTER I

## INTRODUCTION

The buying behaviour of final consumers individuals and households that buy goods and services for personal consumption. Consumers make many buying decisions every day and the buying decision is the focal point of the marketer's effort. Most large companies research consumer buying decision in great detail to answer questions about what consumers buy, where they buy, how and how much they buy, when they buy and why they buy. Customer purchases are influenced strongly cultural, social, personal, psychological. A buyer's decision also are influenced by personal characteristics such as the buyer's age, life-cycle, occupation, economic, situation, life style and personality and self concept. A person's buying choice are further influenced by four major psychological factors. There are motivation, perception, learning, benefits and attitudes, (Kotler, 2006)

Customers like to choose when purchasing items. They prefer products with good quality and reasonable prices. When using the service, they prefer the kind of service recommended by their friends or families (Leibert, 2004). Consumer behavior refers to the buying behavior of final consumers. It is the behavior that consumers display when searching for, when purchasing, using, evaluating, disposing the product or the idea that they have for the commodity and if it will satisfy their need. The study of consumer behavior therefore seeks to understand how the consumers make decisions on how to spend their available resources in regard to purchase (Kotler, 2006). Rational choice theory is the process of determining what options are available and then choosing the most preferred one according to some consistent criterion (Levin, 2004).

When customers buy a product, they tend to think about product features, advantages and benefits. For example, If a customer buys a chair, they will find the feature of chair, neat stackable design, metal legs, stiffened back, discreet handle. Good service starts before a transaction takes place and goes on after its completion, including the market research pre-ordering climate; the buying/ordering process; the period from order to delivery, packaging or presentation; transport and logistics; delivery, complaint handling; payment and debt collection and after sales support service. When customers choose to purchase items, the price, quality service they are starting to think about adding speed.

The banking sector is one of the key reform areas since 2010. After 2015, significant reforms have been put on track to be in line with international standards, including accounting systems, digital banking and financial inclusion for both, SMEs and unbanked people. The development of the banking system is considered a driving force for economic growth in Myanmar. The Central Bank of Myanmar has allowed licenses for both domestic and foreign banks to operate and provide retail and corporate banking services in line with international standards. (GIZ, 2020). Myanmar's banking sector today consists of four state-owned banks, 27 domestic private banks, 13 foreign bank branches, and 46 representative offices of foreign banks. As of December 2019, total bank assets amounted to 72 trillion MMK. Private banks account for roughly 60% of total bank assets, 69% of total deposits and 81% of total loans, reflecting their strong growth in recent years and dominant market position (GIZ, 2020).

Myanmar banking sector are competing with local and foreign banks competition in building up their innovative services such as online payment system, mobile banking and other related applications. Besides, government allowed foreign banks to grant loans, to take deposits from foreign corporations and domestic banks in both international currency and MMK(Myanmar Kyats). Therefore, customers are increasingly choosing a bank that is easy to use and provides good service.

## **1.1 Rationale of the Study**

In the past, state-owned banks provided traditional banking services. Banks are doing more to make good service better. In the banking industry requires banks to be more customers focused. Customers are exposed to diversified choices and they are much concerned about the value for money. Banks need to identify factors that influence the choice of commercial banks selection and work on improving them. Marketers know the needs of customers and persuade to get more customers.

Due to the COVID 19 pandemic and developments in the technology there are various demands on the services of banks. Traditional banking services are not any more effective and sufficient. Private banks pay attention to provide a variety of financial services in order to win customers choice and loyalty. Banks continuously improve different products and services so the customer will choose their bank over other banks. COVID 19 crisis occur in Myanmar in 2021, triggered a full-scale banking crisis and catalyzed a national withdrawal of savings deposits. To prevent a

banking crisis, the Central Bank of Myanmar imposed cash withdrawal limits (2million for personal account and 20million for corporate account per week). Banks customers became frustrated with the fact that they cannot access the savings deposits. Obtaining access to cash became easier in late 2021 due to the 'new/special accounts' introduced by the commercial banks that allowed unlimited withdrawals. Among 31 private commercial banks and 13 foreign banks in Myanmar,

Banks provide different innovative services and solutions such as Automated Teller Machines (ATMs), Short Message Service (SMS banking), Internet banking, Mobile Banking, Debit Cards, Credit Cards, Electronic Clearing Service (ECS). Banks continuous try to expand by opening new branches so that the bank services are easily available to customers. These channels provide anywhere and anytime cash withdrawal and deposits facility, fast transfer of funds, quick remittances and bill collections and fast screening of credit proposals without undue paperwork etc. The technology-led banks have an advantage in designing an excellent customer service system in order to meet customer needs, (Magutu et al. 2010).

Service quality is another important factor in banking services. Customers don't like to wait and by providing a fast customer service is a major channel for better customer experience. With the Q system customers can get Q numbers from Q machines and when the number is called they can go to counter for service. With the fast process time the customers can get fast, easy services and result in customer satisfaction. Many customers may not have a good idea regarding banks so they prefer recommendations from friends, family, relatives. Suggestions from friends and relatives had a significant social impact on customer choosing bank criteria.

The locations are considered as an important factor because customers are visually influenced. The overall appearance, layout, location and physical architecture of the bank is the initial impression of the customers which deepen the customer's trust and hope in the establishment. Marvelous and secured building with tight security, good airflow, good lighting, spacious parking space, having clean and clear interior give better credibility to the bank. The banks also have a dedicated luxurious rooms for VIP customers for better customer services with flexible customer wait time. All of these help with more customers build more trust in the organization as a whole and choosing the bank. Bankers have a thorough understanding of the Bank's product and service to provide quickly and accurately. Face to face selling and technical aids can be powerful tools for financial marketing. Explaining available

services and products in person to a customer is a good way to sell services that can result in a long term relationship. The customer's knowledge of the bank products and services and how to use them, their ability to access relevant information and their everyday approach and attitude needs to be optimized. If the bankers provide fast service, more customers can choose their service. If the bankers understand the customer's emotions and provide banking services with dedication, the customer will be able to retain them. It also establishes the relationship between how brands are built today and how customer relationships are cultivated in a manner that leads to loyalty. The bank's interest rates that are higher than rival banks and low charges are one of the factors of customer choice. By looking at the customer's behavior, the bank's relevant officials will be able to think of a way to attract them to use the bank's service for a long time.

There are research studies, regarding customer a research section for bank services, (Eliyahu Goldratt,1990) prepared a study in which service quality and availability as well as the quality and accessibility of physical and human resources appear to be the major determinant factor in bank choice. The regression result also shows that the above mentioned factors not only influence customer bank choice but have also impact on their loyalty level. Moreover, the same research (Adekiya and Gawuna,2015)" also studied focusing the same on reputation, service quality, financial gain, convenience, group influence, information availability, physical facilities and customer demographics that affect the customer satisfaction on choosing the bank.

This study is to analyze the influencing factors on bank selection choice by customer. This study basically aims to investigate the main determinants of customers' choice of bank in Yangon. This study could point out how users select the banks for purchasing their services.

## **1.2 Objectives of the Study**

The objectives of the study are as follows:

- 1) To identify banks services provided by private banks in Yangon.
- 2) To analyze determinants of customer' choice of banks.

### **1.3 Scopes and Methods of the Study**

This study focuses on determinants of customers' choice of banks in Yangon. Out of the top ten banks in Myanmar, and the top five banks with the most branches were chosen. Following are the top five banks: KBZ, AYA, CB, GTB, and MAB. The total samples of (200) customers who have to contact with the five banks in Yangon (40) customers per bank. The customers who come to bank at the beginning of the first week of August 2022, this surveyed by using a structured questionnaire. To analyze the determinants of customer choice of bank, both primary data and secondary data are collected. For secondary data, internet websites, previous research, articles, banks' reports, publication issues are referred.

The questions are prepared by a five-point Likert scale, ranging from "strongly disagree" to "strongly agree". A questionnaire was used as the measure of research. Face to face interview methods was used to collected data the Multiple regression analysis.

### **1.4 Organization of the Study**

There are five chapters in this study. Chapter one is the Introduction section include rationale of the study, objectives of the study, scope and method of the study and organization of the study. Subsequently, Chapter Two discusses the concept theories that are relevant to this topic and the proposed conceptual framework formed for the study. Chapter Three is overview of banking sector in Myanmar. Chapter Four is analysis of the determinants of customers' choice of banks in Yangon. Finally, Chapter Five is conclusion, findings, suggestions, needs for further study are described.

## **CHAPTER II**

### **THEORETICAL BACKGROUND**

This chapter is about the theoretical background of the study. It includes to study and understand the customer choice of bank, especially definition of consumer behavior, importance of consumer behavior, determinants of customer choice, previous and conceptual framework of the study.

#### **2.1 Definition of Consumer Behavior**

Consumer buyer behavior is considered to be an inseparable part of marketing and that express of consumer buying behavior. The expression of the consumer buying behavior is the study of the ways of buying and disposing of goods, services, ideas or experiences by the individuals, groups and organizations in order to satisfy their needs and wants (Kotler,2011). Consumer buying behavior as a process of choosing, purchasing, using and disposing of products or services by the individuals and groups in order to satisfy their needs and wants (Solomon ,1995). The behavior was expressed by consumer when they select and purchase the products and services by using their available resources to satisfy needs and desires (Schiffman.et al, 2000).

Consumers make many buying decisions every day, many businesses customer buying decisions were highly focused on finding answers to questions such as what consumers buy, where they buy, how and how much they buy, what they buy, and why they buy and how they dispose of what they bought and don't need. The central question for marketers is: how do customers respond to the bank's various marketing efforts? The starting point is the buyer behavior's stimulus response model. The characteristics of buyers that influence how they interpret and respond to stimuli. The other aspect is the decision process of the buyers. Consumer behavior model to understand the buying behavior of individual consumers and its extended stimulus-response model of behavioral processes in consumer decision making, (Kotler, Armstrong, 2006).

Consumers are viewed either open to or actively looking for products and services that meet their needs and enrich their lives. It focuses by which customers in retail outlets are searching and analyzing information on selected brands. Consumers are also seen as processors of information, which then shape preferences and

eventually reach purchase intentions. Marketing consists of product, price, location and promotion. Other major forces and events in the buyer's environment like economic, political, technological, social and cultural factors (John C, 1995).

## **2.2 Importance of Consumer Behavior**

Consumer behavior is essential for a bank to find success for its current products as well as new product launches. Every customer has a different thought process and attitude towards buying a particular product. If a bank fails to understand the reaction of a customer towards a product, there are high chances of product failure. According to the changing fashion, technology, trends, living style, disposable income, and similar other factors, customer choices are also changing. The service provider needs to be understood the factors that are changing so that the marketing efforts can be aligned accordingly (Walters, Paul, 2022).

Consumer behavior is not just important to attract new customers, but it is very important to retain existing customers as well. When a customer is happy about a particular product will repeat the purchase. Therefore, marketing the product should be done in such a way that it will convince customers to buy the product again and again. Thus, it is very evident that creating customer and retaining them is very important for bank. This can be done only by understanding and paying attention towards the consumer's buying behavior. Bank's consistently strive hard to improve the success rate of their new products, services or new ideas (Walters, Paul, 2022).

Customers are required different levels of customer service, and understanding the differences within your customer base will provide the most appropriate service for individual needs. When the world is changing as rapidly as it is happening today, the biggest challenge will face is staying relevant to our target market. It is the ever-changing behavior of our customers. Today's customers have greater choices and opportunities, which means that can easily switch to a bank that offers better products and services. Consumer behavior will be the first to indicate a shift in market trend. Based on consumer behavior the bank decides on marketing strategy which will save on operations and marketing costs (Walters, Paul, 2022).

Marketing oriented banks are also focusing on customer satisfaction and retention. Bank emphasis on retaining customers than merely on customer acquisition. Customer retention is the process of maintaining existing customers by catering to their needs and even exceeding their expectations. Moreover, consumer behavior

helps to convert a casual customer into a committed loyal customer. Once unsatisfied needs and wants are identified, the bank has to evaluate the marketing mix of product, price, place and promotion (Walters, Paul, 2022).

### **2.3 Theories for Customers' Choice**

Among the theories about customers' choice, four more relevance theories have been selected. They are consumer behavior theory, theory of constraints, rational choice theory and competition theory.

#### **(i) Consumer Behavior Theory**

Rational choice theory is the process of determining what options are available and then choosing the most preferred one according to some consistent criterion. (Levin, 2004). In rational choice theory, individuals are seen as motivated by the wants or goals that express their 'preferences'. They act within specific, given constraints and on the basis of the information that they have about the conditions under which they are acting. At its simplest, the relationship between preferences and constraints can be seen in the purely technical terms of the relationship of a means to an end. As it is not possible for individuals to achieve all of the various things that they want, they must also make choices in relation to both their goals and the means for attaining these goals (Scott, 2000).

Furthermore, customers of banks make their selection decision based multiple factors such as branding, advertising, safety of funds, convenient location of the bank, recommendation and product varieties. Banks therefore can use effective advertising, build good reputation and develop unique products and services to attract potential customer and maintain loyal customers to stay in business (Aregbeyen,2011).

#### **(ii) Theory of Constraints**

The intense competition that exists in the market for financial services presents a big challenge to the profitability of retail banking institutions of all sizes. The competition and saturation in the banking industry requires banks to be more customer focused. Customers are exposed to diversified choices and they are much concerned about the value for money. This means that there are unlimited switching choices. Banks need to identify factors that influence the choice of commercial bank selection and work on improving them. The issue of how customers select their banks



has been given considerable attention by researchers. Exploring such information will help banks to identify the appropriate marketing strategies that are needed to attract new customers and retain existing ones (Sharma, et al, 2010).

The constraints begin when the firm loses its customers to its competitors or needs to attract more customers to sustain profitability. Firms use the theory of constraints to assess the causes of customer loss or factors than cause of customer gain and loyalty attraction and retention of customers (Goldratt, et al, 1990).

Customers choose alternative financial service providers because of quality constraints, speed of service, and staff courtesy among others. Customers expect higher product and service quality than the price they are willing to pay to acquire those products and services (Mabin, et al, 2003).

The theory of constraints is highly applicable to commercial banks. Banks are constrained by competitive pressures and a rapidly changing environment and need to attract and retain customers if they want to survive and prosper. Therefore, understanding the determinants of commercial bank selection by customers is one of the ways to reduce or eliminate the constraints commercial banks face in achieving their wealth maximization objective (Madan, et al, 2002).

### **(iii) Rational Choice Theory**

Rational choice theory is the process of determining what options are available and then choosing the most preferred one according to some consistent criterion. In rational choice theory, individuals are seen as motivated by the wants or goals that express their 'preferences'. They act within specific, given constraints and on the basis of the information that they have about the conditions under which they are acting. At its simplest, the relationship between preferences and constraints can be seen in the purely technical terms of the relationship of a means to an end. As it is not possible for individuals to achieve all of the various things that they want, they must also make choices in relation to both their goals and the means for attaining these goals (Levin, 2004).

Rational choice theory holds that individuals must anticipate the outcomes of alternative courses of action and calculate that which will be best for them. Rational individuals choose the alternative that is likely to give them the greatest satisfaction. The relevance of rational choice, where people compare the costs and benefits of certain actions, is easy to see in respect of bank selection behavior of customers. Since

people want to get the most useful products and services at the lowest price and convenience, they will judge the benefits and significance of a certain banks services and offers compared to similar ones from others banks. Then they will compare prices or costs and benefits. In general, people will choose the bank that they perceive provides the greatest reward or benefits at the lowest cost, given their preferences (Levin, 2004).

#### **(iv) Competition Theory**

Competition theory explains how firms try to win customers patronage and loyal through service excellence, meeting customers' needs and providing innovative products. Competition occurs when two or more organizations act independently to supply their products to the same group of consumers. Direct competition exists where organizations produce similar products that appeal to the same group of consumers. Indirect competition exists when different firms make or sell items which although not in head to head competition still compete for the same money in the customers pocket. Both direct and indirect competition cause commercial firms to develop new products, services and technologies, which would give consumers greater selection and better products (Aregbeyen, 2011). Thus, the competitive strategy of firms is dependent upon consumers' choice characteristics which tend to influence firms productive decision towards the satisfaction of consumers preferences.

#### **2.4 Determinants of Consumer Choice**

Customers choose alternative financial service providers because of quality constraints, speed of service, and staff courtesy among others. Customers expect higher product and service quality than the price they are willing to pay to acquire those products and services (Mabin and Balderstone, 2003).

The study conducted by Sharma & Rao (2010) on bank selection criteria employed by MBA students in India concludes that convenience is an important determinant. Factors such as parking facility, free delivery of demand, phone banking, and free home cash delivery suggest that consumers want convenience in banking and they want to save time. Almossawi (2001) points out that proximity and service quality are important factors in commercial bank selection by customers. Cicic, Brkic and Agic (2004) point out cost is another important determinant of commercial bank selection.

According to Almosawi (2001) and Lenka, Suar and Mohopatra (2009) another important determinant of commercial bank selection is technology. Cicic *et al.* (2004) and Maddern, Maull and Smart (2007) point out that incompetence and lack of courtesy of banks' personnel are major reasons customers exit their banks. The study reveals that customers highly regard knowledgeable and competent personnel coupled with friendly and courteous values to be the most important criteria in patronising banks. Cicic, et al. (2004) argue that contrary to the studies conducted in developed countries which found that the most important bank selection determinants are related to technology and automated teller machines, friendliness of staff plays a major role in the bank selection process.

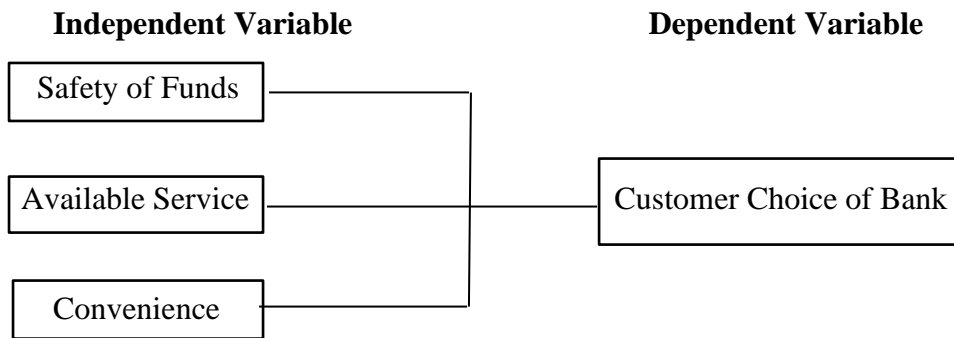
According to Mokhlis (2009), people influences and recommendations is also among the important factors in selecting A bank for both male and female customers. Almosawi (2001) finds that recommendations of friends and recommendations of relatives are of relevance despite the fact that young people prefer to act independently.

### **Previous Study**

This section is to construct the concept for this study paper which analyzes the determinants of customer choice of bank in Yangon. For that reason, all the related variables were used in the three previous research paper were applied for the analysis. There are many research papers analyzing the determinants of customer choice of banks. Among them some research paper which are relevant for the proposed research are extracted and review which are present that as follow; Firstly, the determinants of bank selection choices by customers: Recent and Extensive Evidence from Nigeria. Secondly, Determinants of Customers' Bank Selection Decision in the Mfantseman Municipality of Ghana. Thirdly, Bank Selection and Patronage by University Students: A Survey of Students in Umudike, Nigeria.

Firstly, Arebgyen, (2011) investigates the determinants of banks selection criteria by banking and business customers in Nigeria. The variable of this study includes safety of funds, available service and convenience. The conceptual framework was shown in Figure (2.1).

**Figure (2.1) The Determinants of Bank Selection Choices by Customers:  
Recent and Extensive Evidence from Nigeria**



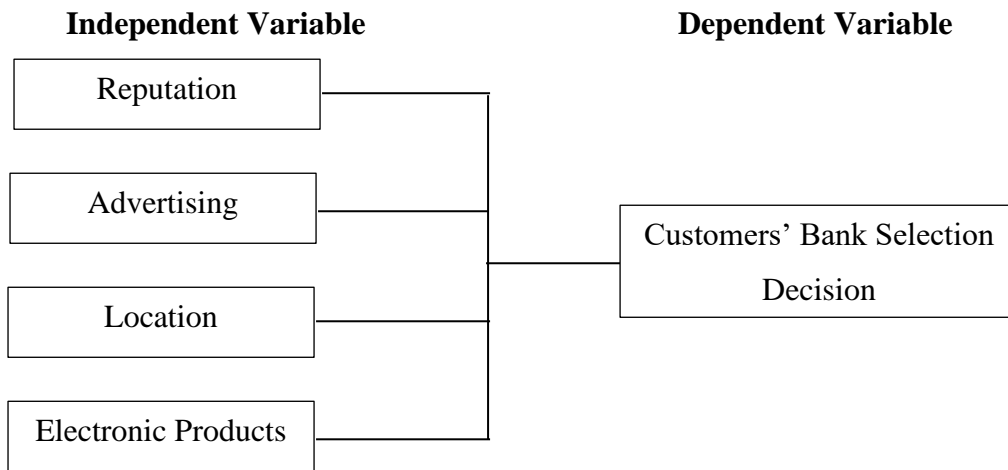
Source: Arebgeyen, 2011

The study revealed that the safety of funds and the availability of service are the most influencing factors for the banking business customers in Nigeria. A total of 1750 respondents from six most metropolitan cities across the six geo-political zones and the FCT were sampled. Their responses on the importance of 25 different factors while choosing a deposit bank were sought and analyzed.

The findings of the study reveal that the safety of funds and the availability of technology based services are the major reasons for customer choice of banks. In specific terms, the identified safety of funds, quick/prompt service, minimum waiting time, good complaint handling, reputation /dependability, one stop banking, any branch banking, innovative products & services, low/reasonable service-charges, and friendly/pleasing manners of staff as the major factors in a bank selection by the sampled respondents. The number of branches, closeness to home/work place etc., transactions alert and regular communication with customers, availability of functional and secured ATMs all times, and connectivity to other bank's ATMs are also considered to be one of the important choice determinants.

Secondly, Baanni, et al, (2014) also investigated the determinants of customer bank selection decision at the Mfantseman Municipality in Ghana. The study employed a convenience sampling technique. A convenient sampling technique was used in selecting the sample size 560 customers for the study. A descriptive cross-sectional survey research design was employed for the study. Data was acquired using self-administered questionnaires from bank customers. Multinomial logistic regression statistical method was used to analyze the data. The theoretical framework was shown in Figure (2.2).

**Figure (2.2) The Determinants of Customers' Bank Selection Decision in the Mfantseman Municipality in Ghana**

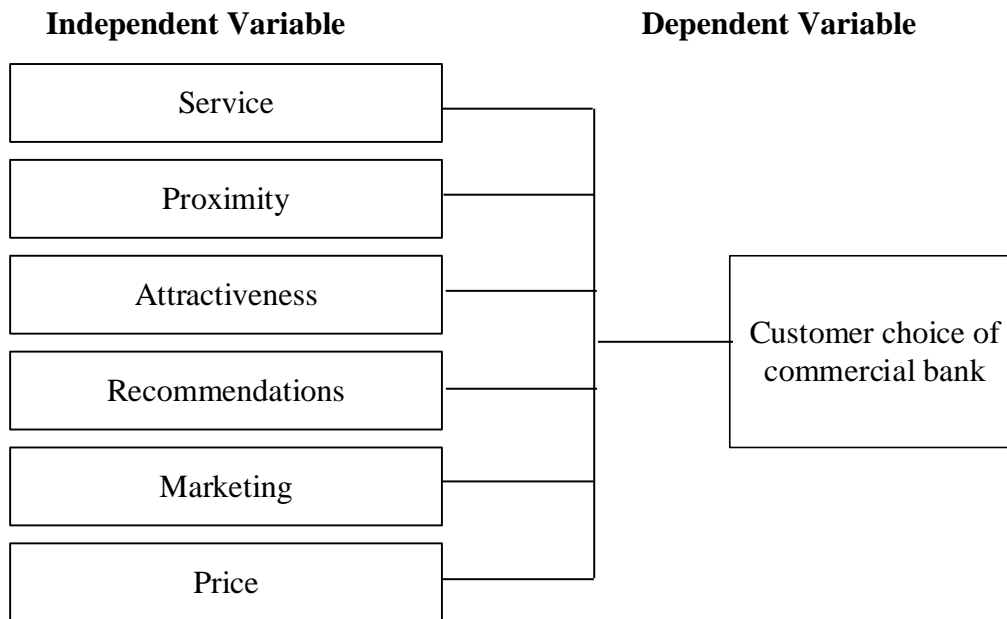


Source: Baanni, et al, (2014)

The findings disclosed a significant relationship between customers' choice of bank and advertising, branding, distance to bank location and types of electronic product offered by banks. It was recommended that banks should embark on aggressive advertising campaign on the benefits of their products and services, improve upon their brand image and financial stability. Banks should also come out with more electronic products that are relevant to the changing needs of potential customers.

Thirdly, the study was to find out the determinants of the choice of commercial banks by university students, using Michael Okpara University of Agriculture, Umudike (MOUUAU). MOUUAU is selected due to the plurality of its student mix, being the only federal university in Abia State. Data were collected through self-administered questionnaire to 250 final year students, across the university's ten colleges. Convenience sampling was used. Apart from the traditional analytical tools such as tables and percentages, data were also analyzed using descriptive statistics and principal component analysis. The Cronbach's alpha was used to test the reliability of the measuring instrument. The theoretical framework was shown in Figure (2.3).

**Figure (2.3) Bank Selection and Patronage by University Students in Umudike, Nigeria**



Source: Cleopas, Olawale, (2011)

The results show that service is the most influencing factors for the choice of commercial banks. Proximity, attractiveness, recommendations, marketing and price are the most significant relationship between the customer choices of commercial bank. Based on the data analysis, the following findings were made:

Key bank services attributes by students range from account-opening convenience, effective ATM, staff courtesy, to phone services. Given the dynamics of these respondents – studious, tech-savvy - this finding is instructive, and agrees with the findings of Cicic, et al (2004), and Maddern, et al (2007). Technologydriven services are important.

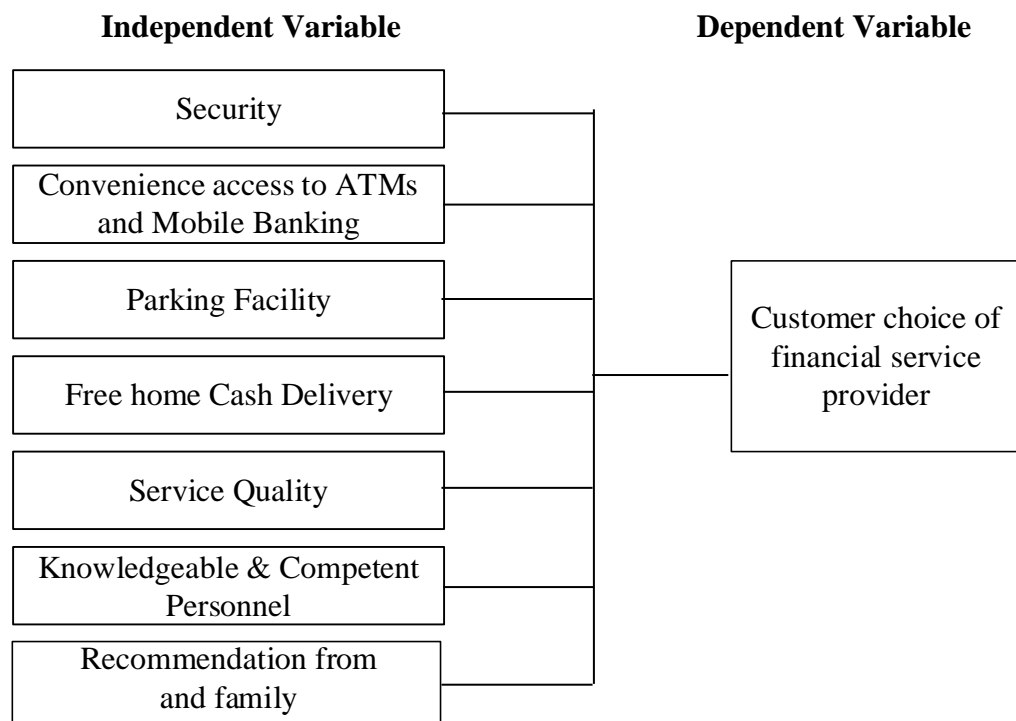
Proximity to banks, both at home and at school, is avital bank choice determinant among students. This implies that banks would do well to have a significant branch network, so that their services can be accessed during on or off school periods.

Corporate looks is found important in bank choice. This consists of the building, interiors, staff dress sense, etc. Cleopas and Olawale (2012) earlier noted that these subtle attributes instill confidence and impress young minds more than it does the elders.

Contrary to existing literature (Cicic, et al, 2004), our respondents consider price-related strategies, least important. These include interest rates and service charge. This is interesting, given that the respondents are mostly dependents who ought to be deal-prone.

Finally, the sample for the study was selected from among a population of about 4,000 students of the Faculty of Economics, University of Sarajevo, representing young people aged 19-24 years. The sample size is 300 students representing about eight per cent of the population (40 percent male and 60 percent female). The required data were collected through a specially designed questionnaire. The questionnaires were distributed to the students through their teachers. Among the studied papers, the factors that they would be necessary for the paper to be studied was shown in Figure (2.4).

**Figure (2.4) Previous Study of Combination**



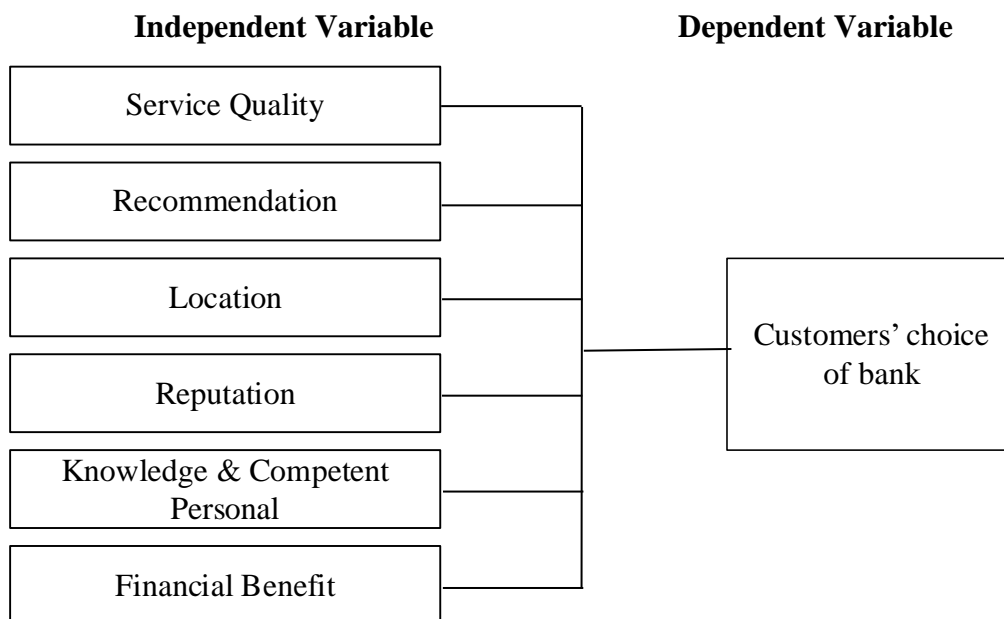
Source: Almosawi (2001); Cicic et al. (2004); Maddern, et al, (2007); Renman and Ahmed (2008); Mokhlis (2009); Lenka, et al, (2009); Sharma and Rao (2010);

This study revealed that young customers place more emphasis on factors like a reception at the bank, friendliness of bank personnel, low services charges, ease of opening a current account and confidence in bank management.

## 2.5 Conceptual Framework of the Study

The conceptual framework of the study was created based on Arebgeyen, 2011 and Baanni, A. S., etal. The concept of this model was to analyse the factors determining customers' choices based on different qualitative factors regarding services and service quality based on customers' perception. After studying the international papers on customer choice of bank, have selected the six factors that are relevant and convenient for the Myanmar banking industry. The conceptual framework is presented in Figure (2.5):

**Figure (2.5) Conceptual Framework of the Study**



Source: Own compilation adapted from previous studies

This framework attempted to establish and explain the determinants of customers' choice of bank in Yangon. The bank selection criteria in this study includes service quality, recommendations, parking facilities, reputation, knowledge and competent personnel and financial benefit which were influencing in customers' choice of banks for their services. This study used structure questionnaire for which the operational definition prepared as follow:

### *Service Quality*

Bank employees provide efficient service until the end of customer's banking transaction. Bank employees provide efficient service until the end of customer's



banking transaction. The service quality is completion of the transaction in a short time, the friendliness and good humor displayed by bank personnel's, the provision of regular.

### ***Recommendation***

Many customers may not have a good idea regarding banks so they prefer recommendations from friends, family, relatives, partner and colleague. Suggestions from friends and relatives had a significant social impact on customer choosing bank criteria. The existing customers, corporate customers, individual customers recommend others to use the service because they use the bank service and are satisfied with the service.

### ***Location***

The porch is a particularly attractive of bank building. The Location of the branch is suitable. Pleasant is bank atmosphere. When selecting site to open new bank, it is important to choose a major metropolitan areas where there are a lot of nearby companies, markets, housing and apartments. By placing ATM machines in easy-to-reach places where customers need to use them. For example: Hospital, Supermarket, and Restaurant.

### ***Reputation***

The banks that have a good reputation in the eyes of customers are highly chosen. The bank donates to the charity. Participation of a bank in social responsibility projects helps the bank to gain a good image in society; as a result, customers prefer the bank. The bank provides free consultations to their customers.

### ***Knowledge and Competent Personnel***

Bank employees have a thorough understanding of the Bank's product and will be able to provide service quickly and accurately with one stop service. A good listening skill is a important skill to have for someone who work in the financial service sector. Having a well trained staff is crucial for building customer's trust and easier case by case problem solving.

### ***Financial Benefit***

The high interest paid on the saving deposit is to compare the other bank. The credit interest rate, high deposit interest rate, service charges, the minimum amount required for opening an account, consider so that customers choose the bank. The bank's interest rates that are higher than rival banks are one of the factors that make customers choose the bank more. The services charges paid to the bank service is the lowest as compared to the other bank.

## **CHAPTER III**

### **SERVICES PROVIDED BY BANKING SECTOR IN MYANMAR**

This chapter overviews the banking sector in Myanmar by discussing the customer services provided by Bank in Myanmar. There are three sections. They are the role of banking sector, bank service in Myanmar, Interest rate, place, promotion, people, process, physical evidence.

#### **3.1 The Role of Banking Sector in the Economy**

A bank is a financial institution which deals with deposits and advances and other related services. It receives money from those who want to save in deposits, and it lends money to those who need it. Different Authors and Economists have given some structural and functional definitions of banks from different angles. Banks have always played an important position in the country's economy. They play a decisive role in the development of industry and trade. The main contributions made by the banks to the economic development of the nation.

A bank accepts deposits from the public that are redeemable at par, either on demand or following the passage of time. From the point of view of an individual seeking to deal with liquid funds, the choices would be to (1) keep cash on hand in a safe place, (2) hold goods or valuables or acquire some other tangible asset, (3) invest the funds, or (4) place the funds in a bank. Cash can get lost or stolen, and earns no interest. Goods, valuables, or property can be lost or stolen, and are susceptible to physical damage and catastrophic events. Importantly, converting cash into goods, valuables, or property (or converting goods, valuables, or property back into cash) may entail significant transaction costs and delays, as well as possible fluctuations in value. Investments, whether in debt or equity interests, will entail risk of loss. A deposit in a bank should avoid all these problems. Both businesses and individuals need funds. Individuals require financing for education, housing, automobiles, and other significant expenses. Businesses must make capital improvements, finance inventories, purchase goods and services, and meet expenses. It is certainly possible to secure financing from well-off sellers that have the financial capacity to defer the receipt of payment, but not every seller has such capacity. It is also certainly possible to secure financing from a number of individual sources until such time as the

necessary funds are acquired, but it is cumbersome and inefficient, as each potential lender must make its own evaluation of the proposal and establish its own terms. Many individual lenders will lack the expertise to make informed evaluations. A bank, then, acts as a centralized source of funds as well as a centralized source for credit and risk evaluation. (JL Douglas, 2008)

There are invariably powerful interests that are benefited by the status quo. This is particularly true in attempting to move towards a market-based economy, for in most state-controlled economies, those in positions of power are able to use that power for their own personal benefit. Part of reform involves devolving decision-making to market-based participants, and empowering them to make decisions on economic and financial criteria. There will be winners and losers in such a change, and many of those losers will be politically well-connected. Reform of this magnitude cannot be imposed by outsiders; it requires committed individuals working within the system desirous of improving the economy, and the country, through change. It is often thankless work, and occasionally requires incredible sacrifice.<sup>48</sup> (JL Douglas, 2008). Customers' possession of money is not safe because of five kinds of enemies. the money in the bank, depositing gold and jewelry allows customers to keep it safe and secure.

### **3.2 The Role of Customer Service Training for Bank Service Providers**

The banking industry is one of the most competitive and dynamic industries, associated with high risk and turnover. These characteristics are what make employee training crucial for success. A good learning environment may be the key to excelling among many obstacles and many competitors. It also creates a win-win situation, contributing both to the employee and the employer. The success and failure of an organization depends on the employees. When it comes to the benefits of training, improvement in an employee's performance or knowledge is an indirect gain for the organizations as well. That is why the training of staff usually aims to develop the skills of an individual to fulfil the current and future needs of an organization.

Higher performance and increased productivity are always on top of the list of benefits. Employee training usually focuses on improving the essential knowledge needed to do the job. Employee retention in the banking industry, which should be a top priority for organizations, is becoming highly dependent on opportunities for

learning and skill development. Career growth is a priority for many employees when choosing a job.

### **3.3 Bank Financial Products and Services in Myanmar**

Today, new products and services are introduced in the Myanmar banking industry. It is seen that banks compete with each other to create new products and services. Thus, Myanmar banking products and services are as follows:

#### **3.3.1 Bank Deposit**

Myanmar banks offer fixed deposit, call deposit and current accounts. Deposit products are often tailored to serve different customer segments' needs, for instance, minor deposit account, children's savings account, senior citizen savings account, wedding deposit account or foreign currency account. The deposits amount in the banking sector from the fiscal years 2014-2015 to 2019-2020 (October to January). During this time period total bank deposits increased nearly 3 times, with saving deposits contributing the bulk of total deposits. Terms for fixed deposit accounts (time deposits) typically range from 1 month to 3 years. Due to the COVID-19 crisis fixed deposit interest rates have been reduced and now range between 6.25% and 8.5%, while current accounts and foreign currency accounts generally do not bear any interest payments. For call deposit accounts banks offer between 2% and 5% interest, based on the account's day-end balance. The interest rates on savings accounts range between 5% and 7%. In accordance with CBM rules, foreign currency accounts can only be opened for three currencies (USD, EUR or Singapore Dollar) and account holders do not receive interest but are usually required to pay up to 2% of the deposit amount as fees.

#### **3.3.2 Remittance Services**

More than 5 million Myanmar nationals living abroad sent back money to their families <sup>69</sup>. They remitted about USD 2.4 billion in 2019, which was approximately 3.2% of Myanmar's GDP in that year <sup>70</sup>. Although the exact figures for remittances into and out of Myanmar are difficult to estimate as a large proportion is transferred through informal channels, domestic and international remittances play a crucial role for Myanmar's economy and in particular for poverty alleviation since

people from poor rural areas are increasingly migrating for work either to big cities or neighboring countries and send back money to their families.

With the aim of reducing unofficial offshore remittances and to provide a legal framework for such activities, the CBM issued regulation on Offshore Remittance Business (ORB) licenses in November 2019<sup>71</sup>. The maximum level of funds receivable or transferable by the ORB licensee on behalf of an individual customer at a given time will be USD 1,000, and there is a transaction limit of USD 5,000 per person and month.

The CBM expects that the new remittance license system will provide official remittance records. Myanmar banks offer domestic inter-branch and inter-bank remittance services, telegraphic transfer and international fund transfer by SWIFT Code through corresponding banks, and international transfer through third party remittance service providers such as Money gram, Western Union, Xpress Money, International Money Express, etc. Recently, there have been significant improvements in domestic remittance services by local banks through their e-banking and mobile payment platforms. For international remittances, 21 Myanmar banks have joined the Society for Worldwide Interbank Financial Telecommunication system (SWIFT).

Through SWIFT, local banks can make secure, efficient and reliable financial transactions with their foreign correspondent banks. Recent years have also seen some relaxations on outbound remittance restrictions, especially with third party remittance providers. After four years of being active in Myanmar and providing only inward remittances, Western Union, for example, has launched outbound money remittance services in June 2016 – although with a transaction limit of USD 3,000 per day and maximum USD 10,000 per year and customer. While there are more options for international remittances in Myanmar these days, people still heavily rely on informal channels called ‘hundi’ because migrant workers are often reluctant to go through official remittance channels due to their lack of legal immigration documents; hundi also is relatively cheaper and faster than official remittance channels.

Increasingly, banks also face fierce competition from Mobile Financial Service Providers (MFSPs) such as OK Dollar, Wave Money and M-Pitesan, as well as recent market entrants Mytel Pay and MPT Money which were granted their licenses in 2018 and 2019 respectively. Although under the 2016 Mobile Financial Service Regulations MFSPs are only allowed to provide domestic remittance services

to the public, their simplified business model allows them to serve the large unbanked population of Myanmar (see next section for more details on MFSPs).

### **3.3.3 Consumer Loan and Housing Loan**

Consumer and home loans Besides commercial lending banks also offer consumer loan products to individuals. Since 2015 an increasing variety of consumer loan products catering to specific customer needs have been developed, including education loans, home loans, vehicle loans, and various personal loans, for instance to purchase mobile phones or laptop computers. After many boom years the real estate market started to decline in late 2016, especially in the economic capital Yangon that is the main player in this market. This decline is due to excess supply and legal concerns such as the lack of clarity on foreign ownership, land use and building management committees in the Condominium Law 56. Since then, some construction companies and real estate developers have cooperated with banks to provide home loans to potential borrowers, in an attempt to revive the real estate sector. The Construction, Housing & Infrastructure Development Bank (CHIDB) is the most specialized bank in the home loan market. The Japanese government also provides two-step-loans (TSL) to CHIDB through JICA. Under this scheme, the bank has disbursed a total of 5,041 housing loan as of July 2020 57. Other banks such as AYA, CB, KBZ, MCB, UAB and YOMA also offer home loans to retail customers. Borrowers are usually required to contribute a 30 to 50 percent down payment; the loan duration is between 3 to 15 years for apartments, and up to 25 years for single houses and condominiums. The home loan product brings many benefits to all parties involved: customers become owners of real estate, while developers and banks generate stable revenues. As can be seen in the figure below, home loans experienced significant growth since 2016, with a sharp increase in 2019.

### **3.3.4 Project Financing**

Being a developing country, Myanmar is highly in need of improving its infrastructure. The government practices an open tender system to fulfill that need. However, companies that won a public tender will normally receive a first instalment of the agreed budget only after completion of 25% of the project. Hence, most companies require capital to initiate the infrastructure project. Banks, on the other hand, may be keen to provide finance for companies on government projects,

assuming a contract-based business between government and private companies to be low risk. The provided project finance can be short term as well as medium or long term depending on the type and size of the project. Hence, project financing creates a lot of opportunities for banks to develop new products and win new customers. There are also obvious benefits for the business sector and the economy at large: easing the financial burden of companies and creating new business and job opportunities. Currently, CB, KBZ, MCB, AYA and some other smaller banks are offering project finance loans (also known as tender financing).

### **3.3.5 Invoice Financing**

There are various financial products that use company receivables as credit security, known under different terms such as factoring, invoice discounting, receivable finance or invoice financing. According to the Financial Institutions Law (2016), Section 2 (aa), factoring means the business of financing account receivables. It involves three actors: supplier, buyer and financial institution. The latter buys invoices from suppliers at a discounted rate or uses it as credit security. This product is particularly aimed at raw material suppliers and manufacturers that sell their goods to wholesale and retail traders (buyers) but usually do not receive cash immediately upon delivery (due to the agreed payment terms it may take up to three months to settle bills). In the meantime, the supplier might face a cash flow problem to continue business operations (for example to purchase raw materials or pay wages). In Myanmar, several financial institutions such as KBZ, CB, YOMA, MCB and AYA offer invoice financing, also known as distributor finance. The customers usually have to apply for bank loans by submitting their invoices either in physical or electronic form. The assessment process differs between the banks.

### **3.3.6 Mobile Banking**

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as smartphones or tablet. Myanmar Post and Telecommunication had a monopoly in the country previously regarding mobile telecommunication market. The government began finding a way to open up the telecommunication, issuing licenses to new service providers. Ongoing changes in the political conditions in Myanmar support the improvement of the nation's economy in many ways (Lwin, 2019).



To Become a modernized nation, Myanmar Government has allowed to open Four Telecommunication Providers. The extreme competition among them supports the quick-growth of mobile phone users. Advanced mobile phones applications are developed and they are used in different areas. (Aung, 2016).

As one of the most convenient and serviceable technologies, Mobile Banking has the potential to offer both banking and transaction services to clients in the development of market. Due to cost-effectiveness and greater reachability, banks prefer the mobile banking channel and encourage customers to adopt mobile banking services (P. Hanafizadeh, 2016).

In the context of Mobile Banking, consumers should have access to the required resources. Most consumers visit a bank branch because they do not have access to Mobile Banking or they were not aware of it. Consequently, mobile services have an effect on consumers by letting universal access to information and services, as well as possibility for a unique and personalized exchange of information. Bank Sectors also improve their services through the use of mobile banking (Datta, 2018).

Since mobile banking was introduced, without going to the traditional bank branch for bank personal transaction, the consumers can use banking services to obtain special services 24 hours a day. There are pointedly increments in a number of mobile phones users; it is a still minority of individuals utilizing mobile banking. (Lwin, 2019).

### **3.4 Customer Focus of the Banking Services**

Banks are making efforts to make customers satisfied. To make banking services convenient and fast, they are using methods that can provide services in a short time. Banks have set up one stop service counters to make it easy and fast. The quality of employees in providing service to customers is also very important. Most Management of bank plans made to provide bank employees with advanced training and provide bank services. Customer choose to the bank location its depend on their convenient. If customers like the convenience of the banking service, they recommend it on to each other. Banks have also stepped up their efforts in technology so that customers can get quick and easy service. Therefore, banks have upgraded the core banking software and started providing services. They have been using Q systems to provide services. Banks have increased interest rates and offered better rates than competitor banks.

## **CHAPTER IV**

### **ANALYSIS OF THE DETERMINANTS OF CUSTOMER CHOICE OF BANKS IN YANGON**

This chapter presents the analysis of the determinants of customers' choice of bank in Yangon and that consist of research design, research variables used in this research, analytical methods and tools used in this research, and multiple linear regressions. Among them, top five bank were selected. Based on data, the demographic characteristics of respondents, validity and reliability test for the bank choice criteria are performed by using descriptive statistics and data analysis.

#### **4.1 Research Design**

For this research is to find out the determinants of customers' choice of bank in Yangon. In this study, the required data were collected through random sampling techniques. The sample size is among the top 10 banks in Myanmar, 5 banks with the most branches will be surveyed. A total of (200) respondents were surveyed from the (5) banks in the city at a rate of (40) respondents per bank. In the first week of the August, a total of 200 respondents were investigated through the face to face interviews with five banks at a rate of 40 customers per bank.

As a survey mechanism, a structured questionnaire was used and it constructed into three sections. The first section is presented the demographic characteristics of the respondents. The second section is to construct about the bank choice criteria of respondents. In this study is to measure by five point Likert scale rating method was used to find out bank choice criteria for customers. Scale 1 was assigned to represent (strongly disagree) and progressively assigned up to 5 that represents (strongly agree). Furthermore, the last section represented the respondents to find out the choice of bank and it was also used Likert scale rating method.

In this study, the response variables for the mean score of respondents and to measure by five points Likert scale rating techniques as well as scale 1 was used to find out the (very low) and scale 5 is (very high) was used to analyze in this research.

Cochran's Sampling Formula (Cochran's, 1977)

$$n_0 = \frac{z^2 pq}{e^2}$$

e = Margin of Error

p = population proportion

z = use z table

e = 0.07

$$n_0 = \frac{(1.96)^2 (0.5)(0.5)}{(0.07)^2} = 189.8717 \cong 200 \text{ respondents.}$$

## 4.2 Demographic Profile of Respondents

In this study, the profile of respondents is divided into six categories in term of gender, age, marital status, higher education, occupation, and income.

**Table (4.1) Demographic Profile of Respondents (Total N=200)**

Sr. No.	Particular	Demographic Profile Analysis	Respondents	Percent
1	Gender	Male	63	31.5
		Female	137	68.5
2	Age (Years)	21 up to 30	96	48
		31 up to 40	78	39
		41 up to 50	18	9
		51 up to 60	8	4
3	Marital Status	Single	133	66.5
		Married	66	33.0
		Other	1	5
4	Higher Education	High School	4	2
		University Student	6	3
		University Graduate	155	77.5
		Master and above	35	17.5
		Business Owner	3	1.5
		Company Staff	88	44
		Other	109	59
6	Income (Myanmar Kyats)	<200,000	8	4
		200,001 up to 500,000	133	56.5
		500,001 up to 1,000,000	48	24
		1,000,001 up to 1,500,001	11	5.5
		>1,500,000	20	10

Source: Survey Data, 2022

According to Table (4.1), gender of respondents would be classified into two categories as male and female. It is observed that 31.5% of respondents are male and the remaining 68.5% are female.

Ages of respondents are classified into four categories as between 21-30 years, between 31-40 years, between 41-50 and between 51-60 years. Majority of the respondents are ages of between 21-30 years which is 48% of total respondents. Age 31-40 years is 39% and age 41-50 years is 9% and above 50 years is only 4%.

Marital statuses of respondents are classified into three categories. They are other, single and married. It is observed that 5% of respondents are other, 33% of respondents are married, and 66.5% of respondents are single.

Education level of respondents are classified into four categories. They are graduate level, post-graduate level, primary and elementary level, and under graduate level. It is observed that 77.5% of respondents are graduate level, 17.5% of respondents are post-graduate level, 2% of respondents are primary and elementary level, and 3% of respondents are under graduate level.

Occupation level of respondents are classified into three categories. They are business owner, company staff and other. It is observed that 1.5% of respondents are business owner, 44% of respondents are company staff, 59% of respondents are other.

Monthly income of respondents will be classified into five categories. They are below 200,000, 200,001 up to 500,000, 500,001 up to 1,000,000, 1,000,001 up to 1,500,00, above 1,500,000. It is observed that 4% of respondents are below 200,000, 56.5% of respondents are 200,001 up to 500,000, 24% of respondents are 500,001 up to 1,000,000, and 5.5% of respondents are 1,000,001 up to 1,500,001 and 10% of the respondents are above 1,500,000.

### 4.3 Respondents Use of Services and their Choice of Banks

This section presents the respondent use of services and their choice of banks.

**Table (4.2) Respondent Use of Services and their Choice of Banks**

<b>Choice of Banks</b>	<b>Frequency</b>	<b>Percentage</b>
KBZ Banks	131	32.5
AYA Banks	93	29
CB Banks	58	20
MAB Banks	25	12.5
GTB Banks	12	6
<b>Use of Services</b>	<b>Frequency</b>	<b>Percentage</b>
Savings Deposit A/C	184	92
Mobile Wallets	126	63
Mobile Banking	112	56
ATM Service	73	36.5
Special Trust A/C	73	36.5
Other Products	227	113.5

Source: Survey Data, 2022

According to the Table (4.2), The 92% of the majority of the respondents by customers usually contact with more than one bank. Moreover, mobile banking services are more than 63% of the total respondents who contact the bank for mobile wallets.

It is found clearly that usually the respondents use the bank for their multiple for bank services. For example, not only one customer will purchase the services but also other services such as savings, remittance and loans etc. This study indicates that KBZ Banks which is the first and foremost banks followed by AYA, CB, MAB and GTB Banks.

### 4.4 Reliability Test for Variables

The study uses Cronbach's Alpha as a measure of internal consistency of these variables. The result of Cronbach's alpha coefficient in survey study was shown in Table (4.3).

Internal consistency is a part of the reliability of a study, which is a necessity for measures to be valid (Saunders et al., 2012). Internal consistency measures the

consistency of the answers of the questions from the questionnaire and one of the most methods to calculate the internal consistency is Cronbach's Alpha (Saunders et al., 2012). Cronbach' Alpha is a reliability coefficient that indicates how well items in a se are positively correlated to one another (Sekaran, 2003). A commonly accepted rule of thumb for Cronbach' Alpha is an of  $\alpha$  0.6-0.7 shows acceptable reliability, and 0.8 or greater shows good reliability. High reliabilities (9.5 or higher) are not necessarily desirable, as this indicate that the items may be entirely redundant. The summary results for the reliability is shown in following Table (4.3).

**Table (4.3) Reliability Test from Respondents Responses**

<b>Bank Choice Criteria</b>	<b>No. of Items</b>	<b>Cronbach's Alpha</b>
Service Quality	7	.923
Recommendation	10	.864
Parking Facilities	5	.820
Reputation	5	.830
Knowledgeable and Competent Personnel	8	.836
Financial Benefits	5	.878

Source: SPSS Outputs, 2022

According to Table (4.3), Alpha values for service quality and financial interest are the highest among determinants at 0.923 and 0.878 that indicate good reliability. Alpha values for recommendation, location, reputation and knowledgeable and competent personnel are higher than acceptable score of 0.7. In social science, the acceptable  $\alpha$  value is 0.6 (Ghazali,2008), which is also practiced by other researchers. Therefore, internal consistency of items to the concepts is excellent.

#### **4.5 Descriptive Statistics of the Determinants of Customer Choice of Banks Rating Scale**

There are six factors of the determinants of customer choice of banks. They are service quality, recommendations, location, reputation, knowledgeable and competent personnel and financial benefits. In this study interpret mean score by Best (1997 =174).

The mean rating scales are as follows:

Mean score	Interpretation
1.0 – 1.80 .....	Very Low
1.81- 2.60 .....	Low
2.61- 3.40 .....	Moderate
3.41- 4.20 .....	High
4.21- 5.00 .....	Very High

**(a) Service Quality**

Firstly, the Table 4.4 explains that the service quality regarding customer choice that comprised of general information about respondents. These demographic factors are to be analyzed how they determined customers’ choice of bank as per theoretical view. Due to the objective of this study is the following demographic factors are determining the customers’ choice of banks shall be examined.

**Table (4.4) Customer Perception of Service Quality Factors**

No.	Statements	Mean	Std. Dev
1	The speed of customer service is among the best in the banking industry.	3.55	.873
2	There are friendly and helpful personnel in the bank and Management responds well to complaints and service failures.	3.56	.754
3	Branches opening and closing hours are convenient.	3.60	.827
4	The quality of head office and branches are appreciable as compared to the other banks.	3.60	.758
5	Branches are in the convenient location having good ambience for service.	3.66	.690
6	Bank employee provide efficient service until the end of customer’s banking transaction.	3.80	.804
7	All the bank employees are polite and patiently explain things that the customer does not understand.	3.81	.865
<b>Mean Score</b>		<b>3.65</b>	

Source: Survey data, 2022

According to the Table (4.4), the study found that the highest the mean score is 3.81 in which bank employee are polite and patiently explain things that the customer does not understand things while the lowest mean score is 3.55 in which the speed of customer service is among the best service in banking industry. The mean score 3.65 is high level of the service quality factors for the customers' choice of banks.

**(b) Recommendations**

Secondly, the table 4.6 present about the recommendation factor is influenced by the choice of bank for the respondent.

**Table (4.5) Customer Perception of Recommendations Factors**

No.	Statements	Mean	Std. Dev
1	Recommended by ATM Customers	2.56	1.01
2	Recommended by M-Banking Customers	3.11	.893
3	Recommended by Foreign Banking Customers	3.29	.842
4	Recommended by relatives.	3.44	.812
5	Recommended by friends.	3.46	.838
6	Recommended by lecturers (University)	3.52	.826
7	Recommended by parents.	3.58	.779
8	Recommended by retail customers	3.78	.760
9	Recommended by corporate customers	3.90	.697
10	Recommended by social media	3.96	.711
<b>Mean Score</b>		<b>3.45</b>	

Source: Survey data, 2022

According to the Table (4.5), the study found that the highest the mean score is 3.96 in which the influence of advertising channel while the lowest mean score is 2.56 in which the recommendation of ATM customers. The mean score 3.45 is the high level for the recommendations of the customers' choice of banks.



### (c) Location Factors

According to the prepared questionnaire in this paper, location factors comprise five different factors. They are bank building, car parking, suitable location pleasant atmosphere and interior decoration of bank building. The results of parking facilities factors comprising all items are shown in Table (4.6).

**Table (4.6) Customer Perception of Location Factors**

No.	Statements	Mean	Std. Dev
1	Attractiveness of bank building	3.01	.969
2	There is good car parking in the bank.	3.10	.897
3	The Location of the branch is suitable.	3.69	.778
4	Pleasant bank atmosphere.	3.71	.727
5	Interior decoration of bank building	3.75	.661
<b>Mean Score</b>		<b>3.45</b>	

Source: Survey data, 2022

According to the Table (4.6), the study found that the highest the mean score is 3.75 in which the interior decoration of bank building while the lowest mean score is 3.01 in which the attractiveness of bank building. The mean score 3.45 is high level for the location factor for the customers' choice of banks.

#### (d) Reputation

Furthermore, the Table 4.7 indicates that the reputation factor are comprised advertising channels such as social media, TV, radio, journal and gifts sets for bank customer.

**Table (4.7) Customer Perception of Reputation Factors**

No.	Statements	Mean	Std. Dev
1	The bank donates to the charity.	3.17	.819
2	The bank supports the customers in hard time.	3.39	.714
3	The bank provides free consultations to their customers.	3.58	.773
4	The bank is aware of social responsibility and support the community.	3.70	.689
5	The bank has a good reputation in the community.	3.71	.767
Mean Score		3.50	

Source: Survey data, 2022

According to the Table (4.7) the study found that the highest the mean score is 3.71 in which the bank has a good reputation in the community while the lowest mean score is 3.17 in which the bank donates to the charity. The mean score is 3.50 is the high level for the reputation factors for the customers' choice of banks.

**(e) Knowledgeable and Competent Personnel**

One stop service, professionalism of bank staff, confidence of bank manager, knowledge, skill and expertise of staff in which the key factors of the customer knowledgeable and competent personnel.

**Table (4.8) Customer Perception of knowledgeable and Competent Personnel Factors**

<b>No.</b>	<b>Statements</b>	<b>Mean</b>	<b>Std. Dev</b>
1	One stop service (one employee provide all services required).	3.10	.889
2	Efficient bank staff provides services without delaying the customer.	3.02	.924
3	Professionalism of bank staff.	3.56	.787
4	Confidence of bank manager.	3.59	.753
5	The employees in the bank friendly and courteous.	3.67	.644
6	Knowledge, skill and expertise of staff.	3.70	.738
7	The bank employees dress and appearance.	3.75	.742
8	Responsiveness of bank staff in providing the service and handling problems.	3.76	.644
<b>Mean Score</b>		<b>3.51</b>	

Source: Survey data, 2022

According to the Table (4.8) the study found that the highest the mean score is 3.76 in which the responsiveness of bank staff in providing the service and handling the problems while the lowest mean score is 3.02 in which the efficient bank staff provides service without delaying the customer. The mean score 3.51 is high level for the customers' choice of banks.

**(f) Financial Benefits**

Financial benefits in Table 4.9 that explain the rate of interest and bank charges are key factors of the customers' choice of banks to be analyzed as follows:

**Table (4.9) Customer Perception of Financial Benefits Factors**

<b>No.</b>	<b>Statements</b>	<b>Mean</b>	<b>Std. Dev</b>
1	The high interest paid on the saving deposit is to compare the other bank.	3.38	.760
2	The high interest paid on the fixed deposit is to compare the other bank.	3.30	.845
3	The interest rate for loan is reasonable as compared to the other banks.	3.44	.800
4	The services charges paid to the bank service is the lowest as compared to the other bank.	3.45	.794
5	Regarding seasonal fixed deposit, the interest rate offered by the customer is satisfactory from the interest rate.	3.61	.749
<b>Mean Score</b>		<b>3.43</b>	

Source: Survey data, 2022

According to the Table (4.9) the study found that the highest the mean score is 3.61 in which the customer satisfaction of fixed deposit interest while the lowest mean score is 3.30 in which to compare the high interest of fixed deposit. The mean score 3.43 is high level for the customers' choice of banks.

**(g) Overall Mean Value for Determinants of Customers' Choice of Banks**

**Table (4.10) Overall Mean of Factors**

<b>Factors</b>	<b>Overall Mean</b>
Service Quality Factors	3.65
Recommendation Factors	3.45
Location Factors	3.45
Reputation Factors	3.70
Knowledgeable and Competent Personnel Factors	3.51
Financial Benefits	3.43

Source: Survey data, 2022

According to the Table (4.10), bank reputation factors of highest mean score 3.70 and the financial interest factors have the mean score of lowest value 3.43. Furthermore, reputation and knowledgeable & competent personnel factors are satisfactory mean scores level in this research. Therefore, it can be concluded that reputation factor plays an important role in customers' choice of bank.

**4.6 Determinants of Customers' Choice of Bank**

The below Table (4.11) depicts the extent to which the service quality, recommendations, location, reputation, knowledgeable and competent personnel, financial benefits and these bank choice criteria were on customers' making decision to choose the banks. These are the independent variables of the conceptual framework of this study.

**Table (4.11) Customers' Choice of Bank**

<b>No</b>	<b>Statements</b>	<b>Mean</b>	<b>Std. Dev</b>
1	I choose the bank because customers information are very safety.	3.70	.737
2	I choose the bank because of the ATM and mobile banking services are obviously convenience than others.	3.56	.787
3	I choose the bank because of good image by Social Media and popularity among us.	3.67	.643
4	I choose the bank because of word of mouth	3.76	.644
5	I choose the bank because of published financial data and trust worthy history.	3.59	.751
<b>Mean Score</b>		<b>3.66</b>	

Source: Survey data, 2022

The dependent variables for customer choice of bank present about the Table (4.11), the results show that the mean score of highest value is 3.76 and in which the customers word of mouth. The mean score lowest value is 3.56 because of the customer choice is depend on the advantages of mobile banking and ATM service.

#### **4.7 Multiple Linear Regression Analysis of Customers Choice of Bank**

Multiple regressions analysis was applied to determinants of customer choice of banks by multiple regression coefficients analysis. To develop the multiple regression models, customers' choice of bank is used as dependent variable and bank choice criteria are used as independent variables. The results of the analysis on the factors influencing are exposed in Table (4.12)

Regression coefficient value and also indicated the individual contribution of each predictor. The value of (VIF) is less than 10 therefore the serial correlation and multi-collinearity problems were not detected in this analysis.

The R Square value is 0.879 which indicates 87.9 percent of variation is due to independent variables these are six criteria of service quality, recommendations, location, reputation, knowledgeable and competent personnel and financial benefits on the customer choice of banks. Adjusted R Square is 0.879 and all other independent variables are constant.

According to the table (4.12), the adjusted value of 0.879 explains that 87.9% of the total variance of banks choice criteria by service quality, recommendation, location, reputation, knowledgeable and competent personnel and financial benefits. The regression coefficient of service quality and knowledgeable and competent personnel are significant by related 1% level with positive effects on customer choice of banks decision.

**Table (4.12) Regression Results for Determinants of Customers' Choice of Bank**

Variable	Unstandardized Coefficients		Standardized Coefficients	T	Sig	VIF
	B	Std.	Beta			
Constant	-1.237	.553		-2.234	.027	
Service Quality	.154***	.033	.239	4.727	.000	4.196
Recommendations	.026	.024	.048	1.115	.266	3.035
Location	.035	.040	.036	.873	.384	2.770
Reputation	-.002	.047	-.002	-.045	.964	3.309
Knowledgeable & Competent Personnel	.501***	.035	.673	14.462	.000	3.560
Financial Benefits	-.001	.040	-.001	-.025	.980	3.108
N	200					
Adjusted R <sup>2</sup>	0.879					
F value	241.616***					
Durbin Watson	1.973					

Source: Survey data, 2022

Statistical significance indicates \*\* at 1% and \*\*\*at 5% level respectively

Based on the results of multiple regression analysis, it can be concluded that service quality factors and knowledgeable and competent personnel factors have significant positive influence on customers' choice of banks decision. In addition to, reputation factors and financial benefits factors does not impose any significant impact on customers' choice of banks' decision.

## **CHAPTER V**

### **CONCLUSION**

The last chapter summarizes the study in three main sections which are findings and suggestion regarding awareness and improving banking services for customer. The finding highlights the determinants of customers' choice of banks and how effect to its extend on today customers' in banking industry.

#### **5.1 Findings and Discussion**

The questionnaires were distributed to the 200 users of the bank respondents to find out the reaction to the six determinants of service quality, recommendations, location, reputations, knowledgeable and competent personnel and financial benefits. The questions consist of 3 parts where part A is demographic, part B is banks choice criteria for customers' and part C focuses on customers' choice of banks.

Frequencies, mean, percentages and standard deviation were employed to present the responses obtained from the respondents. According to the research, demographic factors of bank customers are revealed that there are more male customers than female customers. Age of the respondents are classified between 21 years old and above 30 years old. The range of age between 21-30years is largely dominated as 48% of respondents.

In this study assumed that middle income level to get the banking service. In this survey, employee level of respondents is more percent at 59% in total percentage of three occupation classes. The company staff level of respondents is 44% respectively. Graduate level of respondents is more percent at 77.5% in total percentage of four classes. The respondent's marital status shows to most in single. Between 200,001-500,001Ks of family income is more participated in this survey.

In this study, types of bank services used by respondents found clearly that most respondents intend to deposit and withdraw from savings account is 92 per cent and other service products are respectively.

In this research, the purpose to choice types of banks describing in which the first column of above table that is analyzed the customer objectives to choose types of banks. It is found clearly that most respondents intend to used KBZ banks and AYA



and one third of the respondents are CB, MAB and GTB banks its comprising the respectively.

According to the the result of multiple regression analysis, it can be concluded that service quality factors and knowledgeable and competent personnel factors have significant positive influences on customers' choice of banks decision. Reputation factors and financial benefits factors does not impose any significant impact on customers' choice of banks decision.

## **5.2 Suggestions and Recommendations**

From a marketing perspective, customer is sovereign. Study of this customers' choice of banks decision is essentially critical for making informed and scientific decisions. Since the customers' decision to choose or dispense with products is based on their perceived quality of the products being offered, service providers have to deliver services conforming to the suitable quality contributes and also having the capability to delight their needs. The service providers must consider such essential factors and their respective contributing attributes in designing and marketing of financial products and services.

Customers' make decision for choice of banks was based on many factors. However, this study analysis the customers' choice of banks decisions were base six factors. These are service quality factor, recommendations factors, location factors, reputation factors, knowledgeable and competent personnel and financial benefits factors. According to data survey, the determinants of customers' choice of banks were corrected with these factors.

This study recommends that the determinants of customers' choice of banks in Yangon and that are mainly focus on influencing factors effect on customers' choice of banks decisions. It is also recommending on analysis of each factors influencing on determinants of customers' choice of banks.

It could be observed that there are six independent variables; service quality factors, recommendations factors, location factors, reputation factors, knowledgeable and competent personnel factors and financial benefits factors and a dependent variable i.e, customers' choice of the banks. The two independent variables and dependent variable are positively related. According to the result, not all the factors effect to the consumer behavior and that the following two points are resulted at the customers' choice of banks and financial market.

First, identification of customer perception for banks is based on the financial benefits. Most of the customer choosing banks are for their living. Thus, banks pay more detail information for charges and financial benefits was more suitable than others.

Secondly, customers should be focused on a lot of factors included service quality factors, recommendation factors, location factors, reputation factors, knowledgeable and competent personnel factors and financial benefits factors, however only service quality factors are strongly related and positively significant of customers' choice of banks and others factors such as knowledgeable and competent personnel factors are moderately significant. Therefore, determinants of customers' choice of banks in Yangon will improve the necessary marketing strategy and deliver the best service to customers.

This study could provide guidelines to the banks service providers regarding the vital factors that should considered the customers' needs for low-cost and high interest. Marketers must need to know the customers' need about banks. Thus, marketers should employ skill-full service providers in the financial market. The results of this study are encouraging for marketers especially for financial market in Yangon, and management of influencing factors on determinants of customers' choice of banks for increasing banks market share in Myanmar.

Service quality involves a comparison of expectations with performance. Service quality is a measure of how well a delivered service matches the customers' expectations. Generally, the customer is requesting a service at the service interface where the service encounter is being realized; then the service is being provided by the provider and in the same time delivered to or consumed by the customer.

Generally, the service design or the service delivery can be improved to achieve a high quality service. The service design consists in: service product design, service facility design and service process designated. The service delivery consists in service delivery process, service encounter environment and service provider interaction. Improvement of service quality therefore requires that plan around improving the design and delivery of the offerings and thereby improving on quality of customer service.

Organizations that have the ability to learn faster than their competitors and apply what they learn will have a competitive advantage. Developing employees,

through integrated training programs, provides an organization with an adaptable workforce.

However, if the prospect of providing full-blown conventional training programs to develop your employees is overwhelming, consider a quick alternative that is tailored to your company's more immediate needs. Building a skills bank can strengthen your internal talent pool while creating a learning organization that will carry you into the future. Employees have knowledge and skills within, and often outside of, the scope of their job. This knowledge and these skills can be shared with other employees and the organization when needs arise. But these talents can't be tapped if no one knows about them.

### **5.3 Need for Further Study**

The sample size of this paper is based on 200 banks customers in Yangon according to the time limit and financial constraints. In this study, service quality and knowledgeable and competent personnel factors influencing on customers' choice of banks decision is analyzed on Consumer Behavior Theory. In the event of further study, some interesting research areas can find out recommendations factors influencing the choice intention for banks. Next, a replication of this study using different methodologies for data collection and analysis methods. The similar studies can be conducted in Mandalay because Mandalay is the second city and for the better research, the marketing activities of banks should be analyzed.

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# APPENDIX

## QUESTIONNAIRE

Dear respondents,

The questionnaire is designed to get your valuable inputs for a Master of Banking and Finance (MBF) Program thesis entitled **Determinants of Customer' choice of Bank in Yangon**. This is purely an opinion survey and used for the academic purpose maintaining confidentiality of response. Therefore, any suggestions, comments, and remarks highly appreciated and kept confidential. Thus, please feel free to let the survey get your valuable input by spending not more than 10 minutes of your time.

### Part (A)

#### Demographic Information

1. Gender

Male       Female

2. Age

Age 21 up to 30       Age 31 up to 40       Age 41 up to 50  
 Age 51 up to 60

3. Marital Status

Single       Married       Other

4. Level of Education

High school       University Students  
 Graduate       Master above

5. Type of Occupation and positions

Business Owner       Company Staff  
 Other

6. Monthly Income

- Less than 200,000 MMK       200,001 to 500,000 MMK  
 500,001 to 1,000,000 MMK       100,0001 to 15,000,000 MMK  
 Above 15,000,000

7. Types of services do you use in the bank?

- Savings Account       Current Account       Fixed Deposit  
 Seasonal Fixed Deposit       ATM Services       Pay Application  
 M-Banking       I-Banking       Bank Certificate  
 Safe deposit locker       Loans       Foreign Exchange Services  
 Gift Cheques

8. Which Bank do you always goes to?

- KBZ       AYA       CB  
 GTB       MAB

## Part (B)

### Bank Choice Criteria

Please tick as appropriate for yourself. The meanings of numbers are as follows:

(SDA- Strongly Disagree, DA-Disagree, N-Neutral, A-Agree, SA-Strongly Agree).

#### Customer Perception of Service Quality Factors

No	Statements	SDA	DA	N	A	SA
1	The speed of customer service is among the best in the banking industry.					
2	There are friendly and helpful personnel in the bank and Management responds well to					
3	Branches opening and closing hours are					
4	The quality of head office and branches are appreciable as compared to the other banks.					
5	Branches are in the convenient location having good ambience for service.					
6	Bank employee provide efficient service until the end of customer's banking transaction.					
7	All the bank employees are polite and patiently explain things that the customer does not					

#### Customer Perception of Recommendations Factors

No	Statements	SDA	DA	N	A	SA
1	Recommended by ATM Customers					
2	Recommended by M-Banking Customers					
3	Recommended by Foreign Banking Customers					
4	Recommended by relatives.					
5	Recommended by friends.					
6	Recommended by lecturers (University)					
7	Recommended by parents.					
8	Recommended by retail customers					
9	Recommended by corporate customers					
10	Recommended by social media					

### Customer Perception of Location Factors

No	Statements	SDA	DA	N	A	SA
1	Attractiveness of bank building					
2	There is good car parking in the bank.					
3	The Location of the branch is suitable.					
4	Pleasant bank atmosphere.					
5	Interior decoration of bank building					

### Customer Perception of Reputation Factors

No	Statements	SDA	DA	N	A	SA
1	The bank donate to the charity.					
2	The bank support the customers in hard time.					
3	The bank provide free consultations to their customers.					
4	The bank aware of social responsibility and support the community.					
5	The bank have a good reputation in the community.					

### Customer Perception of Knowledgeable & Competent Personnel Factors

No	Statements	SDA	DA	N	A	SA
1	One stop service (one employee provide all services required).					
2	Efficient bank staff provides services without delaying the customer.					
3	Professionalism of bank staff.					
4	Confidence of bank manager.					
5	The employees in the bank friendly and courteous.					
6	Knowledge, skill and expertise of staff.					
7	The bank employees dress and appearance.					
8	Responsiveness of bank staff in providing the service and handling problems.					

### Financial Benefits

No	Statements	SDA	DA	N	A	SA
1	The high interest paid on the saving deposit is to compare the other bank.					
2	The high interest paid on the fixed deposit is to compare the other bank.					
3	The interest rate for loan is reasonable as compared to the other banks.					
4	The services charges paid to the bank service is the lowest as compared to the other bank.					
5	Regarding seasonal fixed deposit, the interest rate offered by the customer is satisfactory from the interest rate.					

**Part (B)**

**Customers Choice of Bank's**

**Please tick as appropriate for yourself. The meanings of numbers are as follows:**

(HE- High Effect, Effect, N-Neutral, Low effect, VLA-Very Low Effect).

<b>No</b>	<b>Statements</b>	<b>HE</b>	<b>E</b>	<b>N</b>	<b>LE</b>	<b>VLE</b>
1	I choose the bank because customers information are very safety.					
2	I choose the bank because of the ATM and mobile banking services are obviously stronger than others.					
3	I choose the bank because of good image by Social Media and popularity among us.					
4	I choose the bank because of word of mouth and buzzes.					
5	I choose the bank because of published financial data and trust worthy history.					

**Thank You For Your Kindly Participation.**