

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

**SERVICE QUALITY, CUSTOMER SATISFACTION AND**  
**LOYALTY OF AYA BANK**

**HAN NWE SAN**  
**ROLL NO. 17**  
**MBF (DAY) 2<sup>nd</sup> BATCH**

**OCTOBER, 2022**

**SERVICE QUALITY, CUSTOMER SATISFACTION AND  
LOYALTY OF AYA BANK**

“This thesis is submitted to the Board of Examiners in partial fulfillment of the requirements for degree of Master of Banking and Finance”

**Supervised by**

Dr. Chaw Su Aung  
Associate Professor  
Department of Commerce  
Yangon University of Economics

**Submitted by**

Han Nwe San  
MBF - 17  
MBF Day 2<sup>nd</sup> Batch  
2019-2022

**October, 2022**

## ACCEPTANCE

Accepted by the Board of Examiners of the MBF Programme, Department of Commerce, Yangon University of Economics, in partial fulfillment for the requirements of the Master Degree, Master of Banking and Finance (MBF).

## BOARD OF EXAMINERS

.....

Chairman

Prof. Dr. Tin Tin Htwe

Rector

Yangon University of Economics

-----

(Supervisor)

Dr. Chaw Su Aung

Associate Professor

Department of Commerce

Yangon University of Economics

-----

(Chief Examiner)

Prof. Dr. Tin Tin Htwe

Professor/Head

Department of Commerce

Yangon University of Economics

-----

(Examiner)

Prof. Dr. Aye Thu Htun

Professor

Department of Commerce

Yangon University of Economics

-----

(Examiner)

Dr. Theingi Nwe

Associate Professor

Department of Commerce

Yangon University of Economics

**OCTOBER, 2022**

## **ABSTRACT**

This study aims to find out the effect of service quality on customer satisfaction and customer loyalty at AYA Bank in Yangon. The objectives of this study are to identify the service quality provided by AYA bank and to analyze the effect of customer satisfaction on customer loyalty of AYA bank. The descriptive and quantitative research methods are applied in this study. For the primary data collection, the sample size for this study are 194 AYA bank customers which is selected by using simple random sampling method and interviewed with structured questionnaires. According to multiple regression analysis, tangibility, assurance, and empathy have positive relationship with customer satisfaction and customer loyalty. This study highlights that service assurance is the most influential factor, empathy is second and tangible is third influential factor on customer satisfaction at the AYA Bank. Therefore, it is suggested that AYA Bank must pay full attention to the service quality. AYA bank must be mindful of how good service is provided by the bank in order to make customers satisfied and build long-term relationships with customers.

## ACKNOWLEDGMENTS

After completing this study, I would like to extend my special thanks to everyone who has helped me in various ways before, during, and after the preparation of this study.

First of all, I would like to express my sincere thanks to Prof. Dr Tin Tin Htwe, Rector of Yangon University of Economics, for providing me with all the necessary facilities and wisdom granted to the Master of Banking and Finance Programme as a student.

Secondly, I would like to express my thankfulness to MBF Program Director Prof. Dr. Tin Tin Htwe, Professor & Head, Department of Commerce, Yangon University of Economics, for her kind effort, great contribution, and full encouragement to the Master of Banking & Finance Programme.

I am most grateful to my thesis supervisor, Dr. Chaw Su Aung, Associate Professor, Department of Commerce, Yangon University of Economics for her insights, recommendations, and motivations were invaluable. Again, I am very grateful to my supervisor for all of her help with this study's monitoring, supervision, and guidance.

Furthermore, I extend my special recognition to all the board of examiners, teachers for giving their precious time, energy, and efforts in sharing valuable knowledge throughout the duration of the course. I also want to thank my husband and family for their unwavering support and encouragement. Moreover, I would like to be grateful to the employees and branch managers from AYA Bank head office and Yangon branches.

Finally, for the field research, I would like to send my gratitude to the retail and loyal customers at AYA Bank for their help in providing information and to my essential friend who helped me collect data at the study site. I am grateful too to my classmates who shared their experiences during study time at Yangon University of Economics.

# TABLE OF CONTENTS

	<b>Page</b>
<b>ABSTRACT</b>	<b>i</b>
<b>ACKNOWLEDGEMENTS</b>	<b>ii</b>
<b>CONTENTS</b>	<b>iii</b>
<b>LISTS OF TABLES</b>	<b>v</b>
<b>LIST OF FIGURES</b>	<b>vi</b>
<b>LIST OF ABBREVIATIONS</b>	<b>vii</b>
<b>CHAPTER I INTRODUCTION</b>	<b>1</b>
1.1 Rationale of the Study	2
1.2 Objectives of the Study	3
1.3 Scope and Method of the Study	3
1.4 Organization of the Study	4
<b>CHAPTER II THEORETICAL BACKGROUND</b>	<b>5</b>
2.1 Definition of Service Quality	5
2.2 Customer Satisfaction	9
2.3 The Relationship between Service Quality and Customer Satisfaction	11
2.4 Customer Loyalty	15
2.5 Customer Satisfaction and Customer Loyalty	16
2.6 Previous Studies	18
2.7 Conceptual Model	19
<b>CHAPTER III PROFILE AND SERVICE QUALITY OF AYA BANK</b>	<b>21</b>
3.1 Profile of AYA Bank	21
3.2 The Organization Structure of AYA Bank	23
3.3 AYA Bank Products and Services	25
3.4 Service Quality of AYA Bank	28

<b>CHAPTER IV ANALYSIS ON THE CUSTOMER SATISFACTION AND CUSTOMER LOYALTY OF AYA BANK</b>	<b>31</b>
4.1 Research Design	31
4.2 Demographic Information of Respondents	31
4.3 Analysis of Perception on AYA Bank Service Quality	33
4.4 Reliability Test for Variables	40
4.5 Effect of Service Quality on Customer Satisfaction	42
4.6 Effect of Customer Satisfaction on Customer Loyalty	44
<b>CHAPTER V CONCLUSION</b>	<b>45</b>
5.1 Findings and Discussion	45
5.2 Suggestions and Recommendations	46
5.3 Needs for Further Study	47
<b>REFERENCES</b>	
<b>APPENDICES</b>	

## LIST OF TABLES

<b>Table No.</b>	<b>Particular</b>	<b>Page</b>
4.1	Demographic Profile of Respondents Analysis	32
4.2	Mean Values of Tangibility	34
4.3	Mean Value of Reliability	35
4.4	Mean Value of Responsiveness	36
4.5	Mean Value of Empathy	37
4.6	Mean Value of Assurance	38
4.7	Overall Perception of Respondents about Service Quality of AYA Bank	39
4.8	Mean Value of Customer Satisfaction	39
4.9	Mean Value of Customer Loyalty	40
4.10	Summary of Reliability Test for each Variables	41
4.11	Relationship between Service Quality (independent variables) and Customer Satisfaction (Dependent variable)	41
4.12	Effect of Service Quality on Customer Satisfaction	42
4.13	Effect of Customer Satisfaction on Customer Loyalty	44

## LIST OF FIGURES

<b>Figure No.</b>	<b>Particular</b>	<b>Page</b>
2.1	Conceptual Framework of Service Quality and its Relationship to Customer Satisfaction (Construction and Business Bank in Adama Town)	18
2.2	Relationship of Service Quality and Customer Satisfaction	19
2.3	Conceptual Framework of the Study	19
3.1	AYA Bank Organization Chart	24

## **LIST OF ABBREVIATIONS**

AGD	- Asia Green Development Bank
ATMs	- Automated Teller Machines
AYA	- Ayeyarwaddy Bank
CB	- Co-Operative Bank
ICT	- Informations and Communications
JCB	- Japan Credit Bureau
KBZ	- Kanbawza Bank
MAB	- Myanmar Apex Bank
MFS	- Mobile Financial Services
MPU	- Myanmar Payment Union
OECD	- Organization for Economic Co-Operation
SERVQUAL	- Service Quality Model Technology
UAB	- United Amara Bank
UNGC	- United Nations Global Compact

# CHAPTER I

## INTRODUCTION

Customers in Myanmar are now very interested in the quality of premium services. The banking industry in Myanmar is highly competitive, and the banks' customers are in a strong bargaining position. Banks are introducing new products and services at normal intervals to satisfy and retain various types of customers (Kaura, Prasad & Sharma, 2015). Nowadays, banks are competing in a service industry, offering similar products with the best way to serve customers. Furthermore, non-banking companies have entered the banking industry by providing financial products and services such as online wallets as a type of online payment service. The competition among banks has been prompted by customer expectations for better quality services. Providing top-quality services is the best approach to encouraging people to use bank services.

Bank is a customer-focused service industry (Gebre, 2015). Service quality should be considered as a key strategic problem for business success in a highly competitive environment (Spathis,2004). According to the Myanmar Consumer Report (2017), customer expectations are higher. There are currently 28 domestic banks in Myanmar. Among them, the so-called "Big three" privately held banks control the market. Three banks—Kanbawza Bank (KBZ), Ayeyarwaddy Bank (AYA), and Co-operative Bank (CB)—control more than half of all bank branches and roughly two-thirds of all deposits in the country. The goal of this study was to enhance customer service and sustainably high service quality for AYEYARWADY Bank Limited in Myanmar.

One way to keep customers satisfied and loyal is by delivering high-quality service. According to Ha and Jang (2009), service failure occurs when a customer's perception does not match their expectations. This failure could damage the relationship between the customer and the bank and can cause customers to switch to the bank's competitors. Customer happiness is a top goal in today's business environment in order to maximize profits.

A bank can differentiate itself from competitors by providing excellent customer service (Naeem, Akram & Saif, 2009). In some earlier research, service quality has been referred to as the extent to which a service meets a customer's needs

or expectations (Lewis & Mitchell, 1990). When a bank meets a customer's needs and expectations, it can satisfy its customers. Thus, businesses must understand the needs, wants, and values of their customers. Previous researchers have recently shown that customer satisfaction and loyalty are significantly influenced by the quality of service. Similar to what they observed, "having greater profit and growth in a company emphasizes customer loyalty and retention, because the cost of maintaining current consumers is lower than obtaining new ones" (Kotler & Armstrong, 2007). Customer satisfaction is therefore a major element and the focus of most studies in the service sector.

Customer satisfaction is essential to retaining customers; hence, this customer satisfaction affects the customer's intention to repurchase and makes them a loyal customer for the bank (Kotler & Armstrong, 2010). A bank must continuously improve the quality of its services to maintain a competitive advantage. Through providing high-quality service, a bank can increase word-of-mouth (WOM) branding, increase profitability, and take the lead in a market. Therefore, this study aims to evaluate how customer satisfaction and loyalty are influenced by service quality in the private banking sector in Myanmar.

## **1.1 Rationale of the Study**

The bank is a customer-focused business. Today, people are more knowledgeable, which leads to their satisfaction when choosing a bank. Customer satisfaction is based on a variety of factors, including financial, technological, service quality, employee expertise, convenience, etc. Service quality is becoming a major strategic goal for companies in the service sector as satisfied customers help drive corporate success.

In Myanmar, there was a liquidity crisis this year for bank users. Customers' trust in banks has significantly deteriorated in this scenario, and usage of banking services has decreased. All of Myanmar's banks were offering top-notch services at the time to attract customers and gain their trust. Therefore, in this highly competitive era, service providers often need to rationalize service processes. Each organization must evaluate its own strengths and weaknesses as well as the degree of service quality, customer satisfaction, and customer retention. Every business needs customer feedback to assess organizational service quality, a major part of the service sector.

The purpose of this study is to examine the relationship between service quality and customer loyalty and satisfaction. It is evident that further research is required to determine how tangibility, reliability, responsiveness, empathy, and assurance affect customer satisfaction. It seems reasonable that service quality and customer satisfaction are important for the survival of organizations providing services, including banks. Several empirical research studies in various industrial sectors, including banking services, hotels, insurance firms, and other financial businesses, were conducted to determine the factors that influence service quality.

As a result, the purpose of this study is to investigate and verify the effects of service quality on customer satisfaction and loyalty among AYA bank customers. The study's findings are aimed at helping with effective management of employees and good relationships with their loyal customers. The bank should be aware of the customer's demands for new products and services so as to retain and potentially increase customer satisfaction. The findings of this study can contribute to the existing literature, and in a practical way, they can help bank decision makers improve the quality of service provided by them to potential customers.

## **1.2 Objectives of the Study**

The objectives of the study are as follows.

- (1) To identify the service quality provided by AYA Bank, and
- (2) To analyze the effect of service quality on customer satisfaction of AYA Bank
- (3) To analyze the effect of customer satisfaction on customer loyalty of AYA Bank

## **1.3 Scope and Method of the Study**

This research only focuses on the service quality, customer satisfaction, and loyalty of AYA Bank. The descriptive and quantitative research method is used in this study. Both primary and secondary data are used in order to meet the objectives of the study. To get the primary data, 194 AYA bank customers were surveyed using structured questionnaires. The secondary data is based upon the previous research papers from the school library, the records of banks, relevant textbooks, international research papers, internet websites, and other related information resources. Correlational analysis and multiple regression models were applied to find out the degree of relationship between the variables and the most influential dimension on customer satisfaction.

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

This study is organized into five chapters. Chapter one, is an introduction section that consists of the rationale of the study, objectives of the study, scope and methodology, and organization of the study. Chapter two is the theoretical background of the study. Chapter three presents profiles of AYA bank, bank products and service quality provided by AYA bank. Chapter four analyzes the service quality, customer satisfaction and loyalty at AYA bank. Finally, Chapter five is conclusion which includes findings and discussions, suggestions and recommendations and needs for further research.

## **CHAPTER II**

### **THEORETICAL BACKGROUND**

In this chapter, it describes the theoretical background of service quality, customer satisfaction, and customer loyalty. Study also explains the definition of the service quality dimensions with link to customer satisfaction. The major aim of this section is the study mode which is contracted used in the study.

#### **2.1 Definition of Service Quality**

In today's increasing competition, service quality has emerged as a hot topic for academic research, been recognized as a source of competitive advantage, and been related to positive customer relationships (Zeithmal, 2000). According to (Saghier, and Nathan 2013), Service quality is an important concept in the service sector, and it is much more important for financial service providers who struggle to demonstrate to their customers how their products vary from one another. Furthermore, numerous research has focused on service quality, and various theories and models have been developed to solve this issue and emphasize the significance of implementation and different factors. Moreover, there are multiple definitions and indicators for service quality, but no accepted definition exists. According to (Eshghi, 2008), the term "quality of service" refers to an overall assessment made by the customer service, but other researchers have defined "customer service" as the level at which services fulfill customers' needs or expectations. Additionally, the degree of difference between customers' perceptions of the service's performance and their expectations for it is what is referred to as the quality of service (Parasuraman, 1994).

The term "service quality" was developed to mean "the overall assessment of a specific service firm that results from comparing that business's performance with the customer's general expectations of how firms in that industry should perform" (Chidambaram and Ramachandvan, 2012). Employees in the services marketing industry, especially bank marketers, need to understand the features of the services that customers use when choosing a bank in order to develop a marketing strategy. Users may choose a bank's services based on factors like the bank's reputation, bank reliability, its guarantees, and its physical facilities. If marketers can understand the features used to evaluate the quality of service, they will be able to more effectively

manage and influence the appraisal and awareness of customer experience (Toelle, 2006).

The quality of service is probably observed to have a significant role in the high level of engagement in industries like banking services. Banks have historically placed a high value on customer correlation with both commercial and retail customers. For the service sector, SERVQUAL includes five dimensions: tangibility, reliability, responsiveness, empathy, and assurance (Ananth,2011). Several researchers understood the significance of SERVQUAL and used the service quality measuring model for numerous types of businesses, which was improved by (Parasuraman,1988). The aim of the study is to measure the satisfaction level of banks in Myanmar with the assistance of SERVQUAL in order to measure service quality. Fundamentally, (Zeithmal,1993) focus on five dimensions of service quality.

### **Tangibility**

The tangibility is classified as the firms' representatives, physical facilities, materials, and equipment, as well as communication materials. Things that have physical existence and can be seen and touched are called tangibles. Physical environmental features that work as a clear signal of the care and attention meant for the details provided by the service provider are described by Fitzsimmons and Fitzsimmons (2001). Davis (2003) described tangibles like the physical validation of the service. More precisely, Parasuramanet (1985) defined the tangibility look of physical facilities, equipment, personnel, and written materials. In the context of service quality, tangibles can be referred to as information and communications technology (ICT) equipment, physical facilities and their appearance (ambience, lighting, air-conditioning, seating arrangement); and last but not least, the services provided by the organization (Blery, 2009).

According to Lundstrom (2008), the term "tangibility" refers to the appearance of physical infrastructure, tools, personnel, and communication materials. It includes any actual object(s) that can be felt through the skin. According to (Snetsinger, 2010), tangibility is the degree to which a good or service conveys its distinct concrete image, while intangibility is the absence of tangible proof. As a result, the industry's key to success is to make services more tangible (Reddy, Busk, & Kaicker, 1993). Ironically, tangibility has been identified as a major element of service quality, yet intangibility is a key property that defines services. Quality is the single most

controllable factor in a sector where customer perception is key. Services are tangible; thus, clients compare the tangibles related to the services they receive to determine the perceived quality of the services. It is the way the communication tools, staff, and physical infrastructure all look. Customers react to questions concerning the physical layout and amenities that FFR provides to its clients in this survey by filling out a specially developed questionnaire.

### **Reliability**

Reliability is delivering promised, dependable, accurate, and consistent services to customers. Moreover, reliability depends on handling customer service issues, performing the services right the first time, offering services on time, and maintaining an error-free record such as passbook printing (Khan and Fasih, 2014). Reliability means the ability of a service provider to provide its committed services fully and consistently (Blery, 2009). Customers want trustworthy services on which they can rely. Being dependable means having the capacity to carry out the promised services in a trustworthy, accurate, and totally responsible manner without carelessness or error (AnN & Noh, 2009).

Four factors have been used to operationalize reliability: the effectiveness of the check-in procedure; aircraft punctuality; getting to the destination on time; and how concerns about missing bags are handled. Being responsive means being ready to assist travelers, offer rapid service, and react quickly to their needs (Bebko, 2000). The reliability aspect of service quality can be thought of as the method through which a service provider continues to be obedient in providing services to its clients (Khan, 2014). The ability of a service provider to continuously deliver a perceived level of service is guaranteed by reliability. Trust and the overall image a customer has after using a service are impacted by reliability (Abd-El-Salam, 2013). The people element of service quality influences how the reliability dimension of service quality is viewed.

### **Assurance**

According to Khan (2018), the information that passes with their trust and certainty. In their study (Blery, 2009), they found that it is the level of knowledge and courtesy of employees that determines their ability to provide services and build confidence in customers. Assurance is developed by the level of knowledge and

courtesy displayed by the employees in rendering the services and their ability to instill trust and confidence in customers (Berry, 2014). Additionally, skilled employees who treat customers with respect and give consumers a feeling of security that they can trust the firm represent the assurance. Four factors have been used to operationalize assurance: the employees' proficiency in providing service; politeness toward clients; their capacity to inspire passengers' confidence; and their knowledge while responding to inquiries from clients.

According to Kaura (2012), consumers can feel very secure when staff members demonstrate their newly learned knowledge by carrying out their stated preferences while providing services. As a result, customers can feel confident that the service delivery representative will carry out his or her duties in a professional and ethical manner. According to (Naidoo, 2011), not all customers have the knowledge to evaluate the caliber of the service and the value they obtain, and as a result, they could need excellent communication or personal justification to comprehend the value they receive. The people component of service quality carries out this service quality dimension.

### **Empathy**

According to Khan (2018), the arrangement of banks keeps the individualized service needs of each customer at heart. And (Parasuraman, 1985) defined empathy as a special kind of care and individual attention to customers. Bank employees need to approach each customer by name and offer personalized service to the individual customers that reflects empathy. Empathy is unrivaled, regardless of the systems, personnel, actions, or procedures you set up. The capacity to comprehend another person's feelings is referred to as empathy. Empathy means taking care of the customers by giving attention at an individual level to them (Kaura, 2012). It involves giving ear to their problems and effectively addressing their concerns and demands. Kaura (2012) explains that empathy, according to Kaura (2012), is the capacity of service delivery companies to pay attention to and successfully solve the needs and concerns of specific clients. According to Khan and Fasih (2014) and Blery (2009), empathy refers to the way a business accepts responsibility for resolving issues faced by its clients on an individual or group level. The people aspect of service quality influences how this part of service quality is viewed (Kaura, 2012).

## **Responsiveness**

As a SERVQUAL Dimension, the definition of responsiveness is "the willingness to help customers and provide prompt service"(Parasuraman, 1988). Four criteria have been used to operationalize responsiveness: readiness to assist, attention to customers' demands, communication with customers regarding service delivery. This dimension focuses on the attentiveness and promptness in dealing with customer requests, questions, complaints, and problems. This includes the time that it takes a customer to wait for assistance, an answer to questions, or attention to problems. notion of adaptability and the ability to customize the service to the needs of the customer. reflect customers' opinions, not firms' (Wilson et al., 2008:85). (Khan, 2018) defined it as the desire to encourage clients and to provide evoked benefits. However, Johnston (1997) defines responsiveness as the speed and timeliness with which services are provided. Other authors (Schlegelmilch and Ambos, 2004; Matthyssens and Vandenbempt, 2008; Storbacka and Nenonen, 2009; Pehrsson, 2014) defined customer responsiveness as the way an organization involves customers in their decision-making when engaging in value-adding activities like resolving customers' issues, developing relationships, and customizing service offerings.

In this situation, the company responds to customer needs. While Grandey et al. (2011) view responsiveness as a crucial aspect of service quality, this refers to how quickly personnel respond to the demands and desires of customers. Customer responsiveness, according to Daugherty (1995) and Parasuraman (1991), is meeting customer requirements through market intelligence, which entails responding to or anticipating the wants of the customers. According to Mittal and Lassar (1996), responsiveness to customers is a key predictor of service quality and a key factor in customer satisfaction (Andaleeb and Basu, 1994; Handfield and Bechtel, 2002; Tiedemann et al., 2009), which results in successful performance (e.g., Langerak, 2003; Norman et al., 2007; Sorensen, 2009).

### **2.1 Customer Satisfaction**

Satisfaction is a feeling that results from an evaluation process, i.e., when the customers of a product or service compare what is received against what is expected from the use of that good or service (Kotler, 2009). The nature of the interaction between consumers and providers of services and products is specifically a key component of customer satisfaction in the banking industry. As a consequence, both

the quality of the product and the quality of the service are usually considered important conditions and key factors for retaining customer satisfaction (Muslim & Isa, 2005). Customer happiness is very important, as is evident from the statements given by previous researchers who also make an effort to focus. For this, businesses today invest a lot of money, effort, and time into developing happiness campaigns and integrating them into their customer-focused business strategy (ref. Happy customers everywhere).

Many businesses believe that customer satisfaction is a good indicator of repeat business. Only satisfied customers display high levels of loyalty (Panigraphy, D. & Rath, B., 2009). Customer experience will establish customer satisfaction by comparing the degree of expected service with the level of service that was actually provided. In this relationship, perception has a direct effect on customer satisfaction, but expectation does not have a direct effect (Anderson & Sullivan, 1993). As a result, service quality influences a company's performance indirectly. It is crucial for businesses to understand the needs, wants, and perceptions of their customers. The quality of the service is one of the most crucial factors in determining customer satisfaction and bank profitability. Managers should also analyze points of weakness and prepare to enhance service quality, which will improve productivity, profitability, and overall performance.

Customers may be satisfied or dissatisfied after the purchase and usage of a good or service. Satisfaction is a positive feeling after purchasing a product or receiving the service of a customer. If the obtained goods or services are evaluated at the same level as their hopes, they will be satisfied. If the quality of received goods or services exceeds the level of expectations, consumers will be really happy. If the level is below their expectations, the customer will be dissatisfied. Analyzing the Impact of Service Quality Dimensions on Customer Satisfaction and Loyalty in the Iranian Banking Industry.

Customer feelings or attitudes toward a product or service after use can be described as the complete fulfillment of one expectation (Oliver, 1980). (Evans et al., 2006). In the past, satisfaction was considered as a transaction-specific construct that was the consequence of an immediate post-purchase evaluation or affective response (Oliver, 1993; Ganguli & Roy, 2011).

There is a difference between "customer satisfaction" and "service encounter quality." The former is an emotional assessment following consumption, whereas the

latter is the customer's cognitive assessment of the actions of the service provider during the purchase. Although the members of the purchase center follow the organization's goals, they have their own motivations and priorities, and they assess the performance of the service or product using their own preferred criteria (Ladda, 2007).

Schumpeter introduces a new definition of satisfaction, which is "the evaluation of purchasing center members' purchase experiences, product usage, and relationship with the service or product during the period" (Grosby, 1990). This definition provides a framework for conceptualizing and evaluating customer happiness for companies. It describes customer satisfaction as being determined by how well customers perceive the quality of the services they receive. There are multiple examples of the fact that the function judgments about the service have a significant impact on the customer's satisfaction with the business (Grosby, 1990).

## **2.2 The Relationship between Service Quality and Customer Satisfaction**

The relationship between customer satisfaction and service quality has been identified in different studies. Companies and organizations make efforts to increase consumer satisfaction, especially those companies that perceive a long-term customer relationship as valuable. Customer satisfaction has become an important factor for effective business operations in the retail banking sector, even though the identification of service quality characteristics may not be completely recognized (Belás & Gabová, 2016; Chavan & Ahmad, 2013). Therefore, the model developed by Parasuraman (1982) has been acknowledged as a predictive variable by several authors as a measure of customer satisfaction. According to a study by Herington and Weaver (2009), there is a positive correlation between customer satisfaction and the service quality factor. Because of this, perceived service quality is widely perceived as a precedent of customer satisfaction, and previous studies have verified this relationship (Naik, 2010; Yee, 2011).

Brady et al. (2002) examined three main hypotheses of the study relationship: First, service quality is the antecedent of customer satisfaction; second, Customer satisfaction is the driving force behind service quality (Bitner, 1990). Third, there is no significant link between customer satisfaction and service quality (Dabholkar, 1995). In general, many researchers have discovered the relationship between the two variables where service quality serves as an antecedent to customer loyalty in a

dominant position as applied to the context of the service industry, such as the banking sector (Akhtar, 2011; Cameran, 2010). Numerous empirical studies that explore the links between the conceptions of service quality and customer satisfaction have been the focus of different empirical studies. Customers are more satisfied with firms that offer higher service quality (Garg, 2014; Gilbert, 2004; Gilbert and Veloutsou, 2006). Furthermore, there is strong evidence that the level of service quality has an impact on consumers' behavior, either directly or indirectly through customer satisfaction (Zeithaml, 1996; Cronin, 2000; Pourmohammad, 2016). According to Awwad (2006), there are a number of factors that affect how satisfied customers are, including care, credibility, assurance, and security. Customers will be more impressed with the service as long as they believe in its timeliness and accuracy. According to Philemon (2007), the availability of major attractions such as offers, discounts, incredibility, confidence, and security, in addition to the broad use of technology to arrange flight timings and bookings, are what Malaysian travelers find most satisfying.

Caruana (2002) assessed service loyalty among 1,000 retail banking customers in Malta as part of studies on the banking sector. Results indicated that the relationship between service quality and service loyalty was mediated by customer satisfaction. In 2002, a measure based on the five SERVQUAL factors was created and tested to assess service quality in UAE banks. The SERVQUAL items' factor analysis identified three dimensions: tangibles, reliability, and empathy. They highlighted that the most important feature of their tool was reliability. They produced a three-dimensional instrument as a result of their factor analysis, but they made no attempt to account for new service quality dimensions that are unique to UAE culture. Previous research suggests that service quality is the precursor of customer satisfaction.

### **The Relationship between Tangibles and Customer Satisfaction**

Tangibility was identified by Iwaarden (2003) as physical infrastructure, machinery, and management personnel's outward look. Additionally, it is stated that the level of customer satisfaction will be positively impacted by the ease of visibility of resources required for providing the service to customers, well-groomed employees, and ease of access to written materials like pamphlets, brochures, folders, information books, etc. (Parasuraman, 1985). In the banking industry, the use of

modern or up-to-date equipment and visually appealing or attractive surroundings is seen to have a positive impact on customer satisfaction (Ananth, 2011).

Physical workspaces, equipment, and appearance delegates, as well as organizational gatherings, are all examples of generous quality, according to Paul et al. (2016). Additionally, it is stated that the ease of access to manufactured materials like flyers, flyers, coordinators, instructional books, etc. would have a significant impact on the degree of customer dependability (Kumar & Kumar, 2017). Showing day-looking or refined types of equipment and an air that seems alluring or engaging are seen as the positive results of significant quality on customer loyalty in dealing with a record division (Ananth, 2011).

### **The Relationship between Reliability and Customer Satisfaction**

The ability to provide customers with the required service reliably and accurately as promised is referred to as reliability (Zeithaml, 1990). Dealing with any issues customers may have with the services they receive; providing the necessary services correctly the first time; providing the services on time; and maintaining an error-free record are examples of reliability in terms of service quality, which has a significant impact on the degree of customer satisfaction (Parasuraman, 1988). Accuracy in completing orders, maintaining accurate records and quotes, accuracy in billing, and maintaining promised services are the fundamentals of reliability in banking services provided to the customer. This is thought to be the most important factor in persuading customers to continue using banking services (Yang and Fang, 2004).

According to Ding (2017), reliability is defined as the capacity to deliver the promised administration to customers continuously and accurately, with no interruptions. Customer issues, companies' perfection from the main experience, companies' ensure maintenance, and time twist without record are the perspectives of trustworthiness to the extent of firm quality, which strongly influences the degree of customer dependability (Eneizan, 2018; Kumar & Kumar, 2017). In dealing with a record organization provided for the customer, precision in completing requests, keeping up correct record and quote, accuracy in charging, and keeping up ensured organizations are critical viewpoints of steadfast quality, and are expected to be the most basic factor inducing customers to keep in sparing cash organizations. (Yang and Fang, 2004).

### **The Relationship between Assurance and Customer Satisfaction**

According to Van Iwaarden (2003), assurance is defined as the knowledge and courtesy or manners of employees. Additionally, it is described as the capacity of employees to develop trust and confidence using the knowledge they possess, which will significantly impact the level of customer satisfaction Parasuraman (1988). A well-experienced and professional management team, easy access to bank account details, comfort or convenience inside the bank, and positive results in customer satisfaction are all examples of assurance in the banking services supplied to the customer Sadek (2010). Paul (2016) described assurance as the learning and excellent behavior or affectionateness of managers and employees.

Moreover, it is also believed that, as stated by (Alsakarneh, 2018; Abdelqader Alsakarneh, 2018; Kumar & Kumar, 2017), the ability of employees to motivate belief and certainty would firmly surpass the customer's loyalty. The banking industry offers its customers services; certification denotes that these services are provided in a way that is accommodating and agreeable, with ease of record-keeping for premium purposes, comfort or convenience inside the banking institution, and an overall knowledgeable and skilled organization group that will have great effects on customer confidence Sadek (2010).

### **The Relationship between Responsiveness and Customer Satisfaction**

The ability to quickly and adapt to consumer needs is referred to as responsiveness. No other industry has been affected by technological growth as much as banking and financial institutions, Mariappan (2006) who said that the information technology revolution has brought about amazing changes in the corporate environment. Due to the development of value-added services for clients, banks must utilize technology to deliver their services while simultaneously reducing costs Zhu (2002). In order to more successfully compete with international businesses, banks must implement the newest information technology systems and better comprehend the changing needs of their consumers Malhotra (2004). The desire of service providers to assist customers and provide prompt service is referred to as responsiveness. This measurement emphasizes attention and responsiveness when handling client inquiries, requests, problems, and complaints. Customers can tell if a company is responsive by how long it takes to respond to their questions, provide

assistance, or handle their problems thoughtfully. In other words, responsiveness may enhance the quality of this service Zeithaml (2014).

With the use of technology, banks are able to perform consistently and react swiftly to consumer needs, increasing customer satisfaction. Due to the adoption of new technology, (Shariq, 2015) suggested that customers prefer using electronic services over e-banking services since they need to be guaranteed in terms of security. Consequently, the trait or practice of coming on time or being prompt might be characterized as timeliness. A timely event is one that is appropriate for the season, advantageous, and well-timed. An essential component of the caliber of electronic services is the installation of operation speed that minimizes waiting times Mobarek, (2007). Dilijonas (2009), cash backup, speed, high uptime, and quality service at fair prices all contribute to timely delivery of banking services.

### **The Relationship between Empathy and Customer Satisfaction**

The tendency to provide each customer's attention personally when handling customers is referred to as empathy (Iwaarden, 2003). Additionally, studies show that delivering the required customer service whenever it is needed without causing any inconveniences would have a significant impact on the degree of customer satisfaction (Parasuraman, 1988). Customer satisfaction will increase as a result of more flexible working hours, personalized service, improved understanding of individual customers' demands, and improved management-customer communication (Ananth, 2011). The skill to manage each client's attention individually in order to support clients is referred to as empathy as one of the factors of service quality (Paul, 2016).

Additionally, understanding the client's requirements, which include those made available to them by the competitors, whenever it comes with no cost, would significantly affect the level of consumer loyalty (Kumar & Kumar, 2017). Customer satisfaction may increase as a result of flexible working hours that take each individual's needs into account; better management understanding of what customers specifically require; and increased management and customer communication (Alkhaldeh, 2017; Ananth, 2011).

## **2.4 Customer Loyalty**

In today's business environment, organizations place emphasis on customer loyalty. Customer loyalty is defined as a mixture of both behavioral and mental loyalty, with a special focus on the behavioral component of the equation (Baldinger and Rubinson 1997; Dick and Basu 1994). The author also discussed customer loyalty as a promise to repurchase or support a favorite future product or service consistently. According to Neal (1999), customer loyalty is characterized as a behavior and as the percentage of times a customer selects the same good or service in a particular category in relation to the overall number of purchases made by the buyer in that category, under the condition that other suitable products or services are conveniently available in that category.

Customer loyalty is defined as a persistent desire to support a preferred product or brand in the face of changing circumstances (Oliver, 1997). Customer loyalty was cited by Singh and Sirdeshmukh (2000) as the currency used in commercials in the twenty-first century. Oliver (1999) notes that customer behavior is generally referred to as "loyalty" regarding a certain product, service, or other facet of the business in which the customer is engaged. That is why organizations encourage customer relationship management. The goal of customer relationship management is to develop satisfied and loyal customers who, in turn, not only make repeated purchases but also spread positive word of mouth.

In the beginning, brand loyalty was related to physical commodities. The concept was then expanded to include company loyalty. Loyalty is a diverse and complex concept that can evoke both positive and negative responses (Zeithaml, 1996; Azam, 2021). According to Foss and Stone (2001), customer loyalty is related to what customers think and do (or try to do), and Colgate et al. (1996) noted that customer defection is not always the opposite of loyalty. Duffy (2003) defined customer loyalty as a feeling of association that a customer has toward a brand. Customer loyalty has benefits including lower service costs for returning customers compared to new customers, higher prices for a certain set of products, and word-of-mouth marketing for businesses Gee (2008).

According to Heskett (1994), customer loyalty encourages customers to make more purchases and persuades them to recommend those goods or services to others. As it is an active strategy for generating repeat business from consumers (Chu & Shiu, 2009), customer loyalty can positively contribute to this fundamental goal of the banks (Hayes, 2008).

## **2.5 Customer Satisfaction and Customer Loyalty**

Evidence indicates a strong connection between customer loyalty and customer satisfaction (Leninkumar, 2017). If a customer has a positive experience with a company's service, they are more likely to continue doing business with that firm because they perceive it to be less risky, which makes them loyal and rational in their decision-making. This is known as customer loyalty. The relationship between customer satisfaction and customer loyalty has been demonstrated in a considerable amount of service management literature (Kumar, 2013). An empirical investigation of the relationships between customer satisfaction and customer loyalty was suggested by both the service management and the marketing literature (Shanka, 2012).

Munari (2013) mentioned that satisfaction acts as the foundation for loyalty and that loyalty and satisfaction are the components of ultimate loyalty. According to Sondoh (2007), customer satisfaction is the most significant driver and is important for developing customer retention. According to Hoq and Amin (2010), if a customer is satisfied, their loyalty grows and they are less likely to switch banks.

Furthermore, Oh and Kim's (2017) research showed that businesses may easily win over their customers' loyalty by offering high-quality products and services and enhancing customer satisfaction. Additionally, it is reasonable to assume that there is a nonlinear relationship between customer satisfaction and customer loyalty. Heskett (2008)'s recommendations highlighted the significance for firms of increasing customer satisfaction levels if they want to maintain a high degree of customer loyalty.

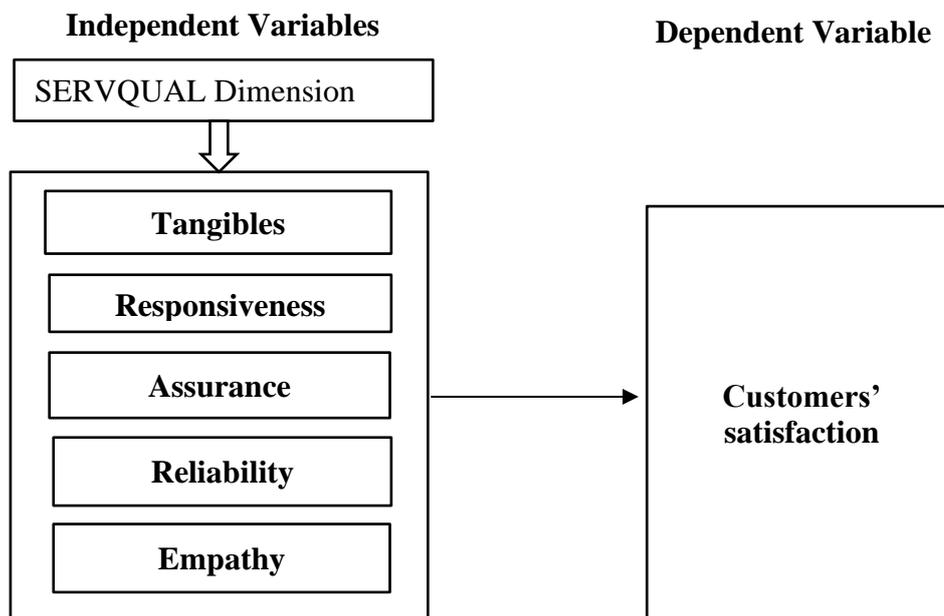
According to Shanka (2012), a high degree of customer satisfaction will promote brand loyalty and is positively correlated with future purchase intentions, positive word of mouth, and profitability. As is evident, previous research using customer satisfaction as the mediating variable has already established the considerable positive relationship between service quality and customer loyalty .

According to business research scholars, long-term customer loyalty is the real asset for service providers because it enhances the value of the company (Mostajer, Haghghi, Baum, & Shafti, 2014). The same findings that customer satisfaction mediates the relationship between service quality and customer loyalty have also been found in the banking sector (Hassan, 2013; Lee & Moghavvemi, 2015).

## 2.6 Previous Studies

Gebre (2015) studied the impact of service quality on customer customer satisfaction in case of construction and business bank in Adama Town that is shown in figure(2.1).

**Figure (2.1) Conceptual Framework of Service Quality and its Relationship to Customer Satisfaction (Construction and Business Bank in Adama Town)**

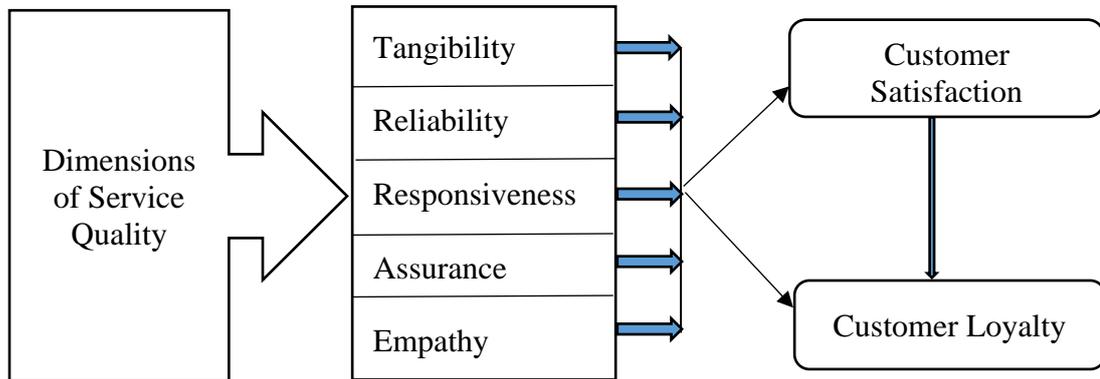


Source: Gebre (2015)

Structured questionnaires with five-point Likert scale measurement were distributed to the sample size of 90 based on convenience sampling approach. Fida, et al, (2020) studied on the the impact of service quality on customer loyalty and customer satisfaction using the SERVQUAL model for four main Islamic banks in the Sultanate of Oman. By the use of a structured, self-administered questionnaire based on a convenience sampling method, data were gathered from 120 customers of Islamic banks in Oman. The correlation analysis examined the significant relationships among the study variables. The study revealed that on average an “Agree” response in the five areas, namely, tangibles, responsiveness, reliability, assurance, and empathy on customer loyalty and customer satisfaction. Study showed a significant relationship between the three variables: service quality, customer satisfaction, and customer loyalty. Regression results demonstrated that empathy and responsiveness dimensions have a significant positive impact on customer

satisfaction. Figure (2.2) presents Fida, et al, (2020) study on relationship of service Quality and customer satisfaction.

**Figure (2.2) Relationship of Service Quality and Customer Satisfaction**

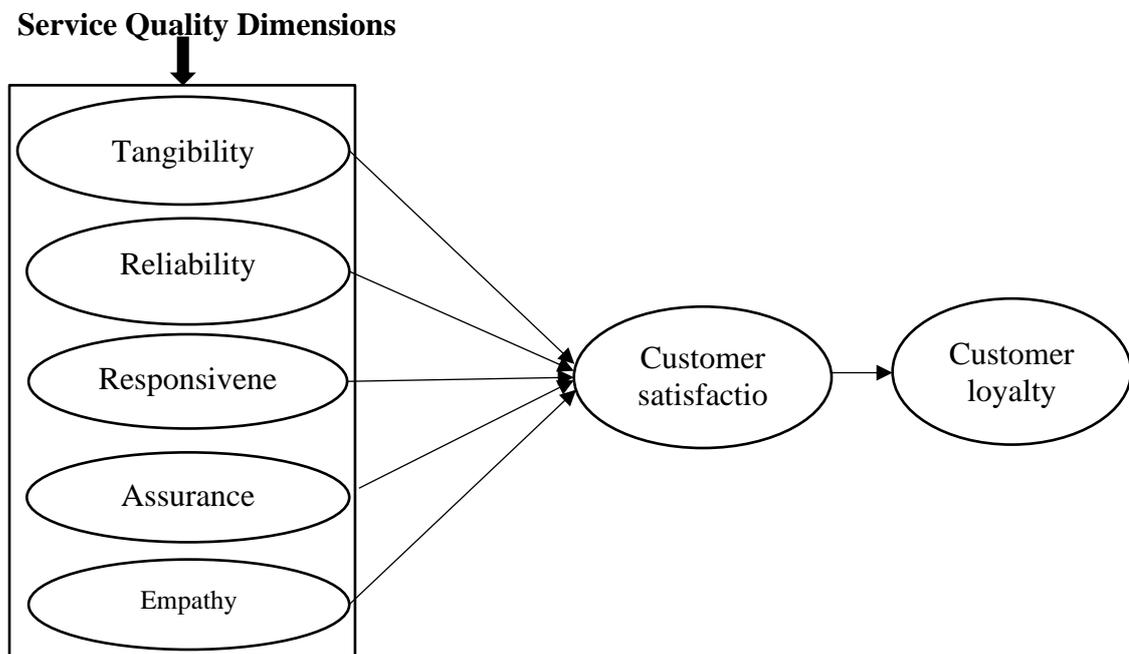


Source: Fida, et al, (2020)

## 2.7 Conceptual Model

Based on the previous literatures, the study model used in this study will be proposed as show in Figure (2.3). The independent variables of five dimensions of service quality are tangibles, reliability, responsiveness, assurance, and empathy. These independent variables of service quality effects on the dependent variables of customer satisfaction and customer loyalty.

**Figure (2.3) Conceptual Framework of the Study**



Source: Own Compilation, 2022

**Tangibility:** As physical facilities, equipment and appearance of employee and management team. Like the ease of seeing the resources needed to serve customers, well-groomed staff, and the simplicity of obtaining written materials like pamphlets, flyers, information, etc.

**Reliability:** The ability to provide the required services to customers in a trustworthy and accurate manner as promised, handling whatever the problems in service are encountered by customers.

**Responsiveness:** As the interest shows in providing prompt service to customers when required. The willingness or readiness of employees to provide the required customer service without any inconvenience at any time.

**Assurance:** The employee's knowledge and good manners or courtesy. The ability of employees, with the help of their knowledge possessed, to inspire trust and confidence.

**Empathy:** The ability to attend to and care for each customer individually when providing service. In order to provide the necessary customer service, it must understand customer expectations better than competitors.

Tangibility indicates all physical facilities, equipment, and employees' personal and communication materials that are visible in an organization. Reliability indicates whether the service is provided accurately as promised to its customers. Responsiveness indicates the organization's willingness to help its customers readily. Assurance indicates knowledge and courtesy of an employee in bringing trust and confidence. And empathy indicates the organization show care individualized attention providing required service by understanding customer's need.

## **CHAPTER III**

### **SERVICE QUALITY OF AYA BANK**

This chapter is the profile of Ayeyarwady Bank (AYA) in which include the background of AYA bank, the mission, challenge and corporate value-ethics extracted by the bank. Moreover, bank products and services provided by AYA bank and influencing factors on customer satisfaction of AYA bank are also including in this study.

#### **3.1 Profile of AYA Bank**

Ayeyarwady Bank Ltd. is a private bank in Yangon. The location of AYA Bank's head office is in the Rowe Building in Kyauktada Township of Yangon. AYA Bank was licensed as a development bank by the Central Bank of Myanmar on July 2<sup>nd</sup>, 2010 and relicensed under the Financial Institutions Law of 2016 as a full-service universal bank. U Zaw Zaw is the founder and main shareholder of AYA bank, a well-respected entrepreneur, business leader, and altruist of Myanmar with diversified business interests in agriculture, construction, manufacturing, and hospitality.

The paid up capital of AYA Bank stood at MMK (140) billion, assets at MMK (7) trillion, and equity at MMK (309) billion. AYA Bank is the second largest bank in Myanmar with a customer base of 3.2 million and above. AYA Bank has opened 265 branches and 781 ATMs nationwide. AYA bank provides a full suite of cooperative banking, retail, and commercial banking products and solutions for both local and international customers through its branch extension network in every state and division of the country at present. Our large and loyal customer base has been one of the key drivers of our success, allowing us to experience rapid growth over the years. The use of technology and differentiated customer service by AYA bank has been critical in rapidly expanding the customer base. AYA Bank is Myanmar's first bank to implement a centralized core banking system and is constantly striving to provide the best financial services and products on the market. AYA Bank is extending beyond the domestic banking services and offering international services to support clients as they implement their projects and plans.

AYA Bank adheres to international standards for corporate governance and best practices for compliance in its management and operations as a United Nations

Global Compact (UNGC) member. A big-four international firm has audited AYA Bank in accordance with IFRS and in accordance with International Standards of Auditing (ISA) since 2014–2015. AYA Bank has also hired a reputable consultant firm to provide non-audit services in order to fulfill legal and contractual obligations and get strategic business insights. In order to ensure long-term sustainable growth for the communities it serves, the bank has also attracted and retained outstanding staff with both domestic and international exposure. It has also made considerable investments in learning and development.

AYA Bank will continue to grow its branch network throughout Myanmar in the next few years while also making investments in core banking, digital banking, and fintech platforms. AYA Bank seeks to offer a consistent omni-channel interface with innovative services and products to all consumer segments. Additionally, AYA Bank will keep emphasizing strengthening relationships with customers, delivering the best customer support, and utilizing technology as a means of quickly growing its customer base. As a way to maintain sustainability and long-term growth, the bank also wants to further strengthen its governance, risk, and compliance framework.

In the near future, the bank will keep expanding its network throughout Myanmar, establish relationships with new customers and foreign partners, and enhance capital and risk management procedures. In order to offer innovative products and services to consumers, the bank will also place a strong emphasis on strengthening human capital and fostering a corporate culture of innovation through technology. The Bank will be in a good position to become Myanmar's banking sector reform process intensifies.

AYA Bank vision is to be recognized as the leading bank in Myanmar through pursuit of excellent and long term sustainable growth for the bank and its stakeholders. Core values of the bank are determined as: to pursue our objectives with excellence, to progress as team, to think and act in all honesty, to maintain integrity in all dealings loan and advances, extra loan, auto loan, to care for our customers, our 22 colleagues and the people we interact with and in all actions, and to always act with sincerity. Mission is to be recognized as the leading bank in Myanmar through pursuit of excellent and long term sustainable growth for the bank and its stakeholders.

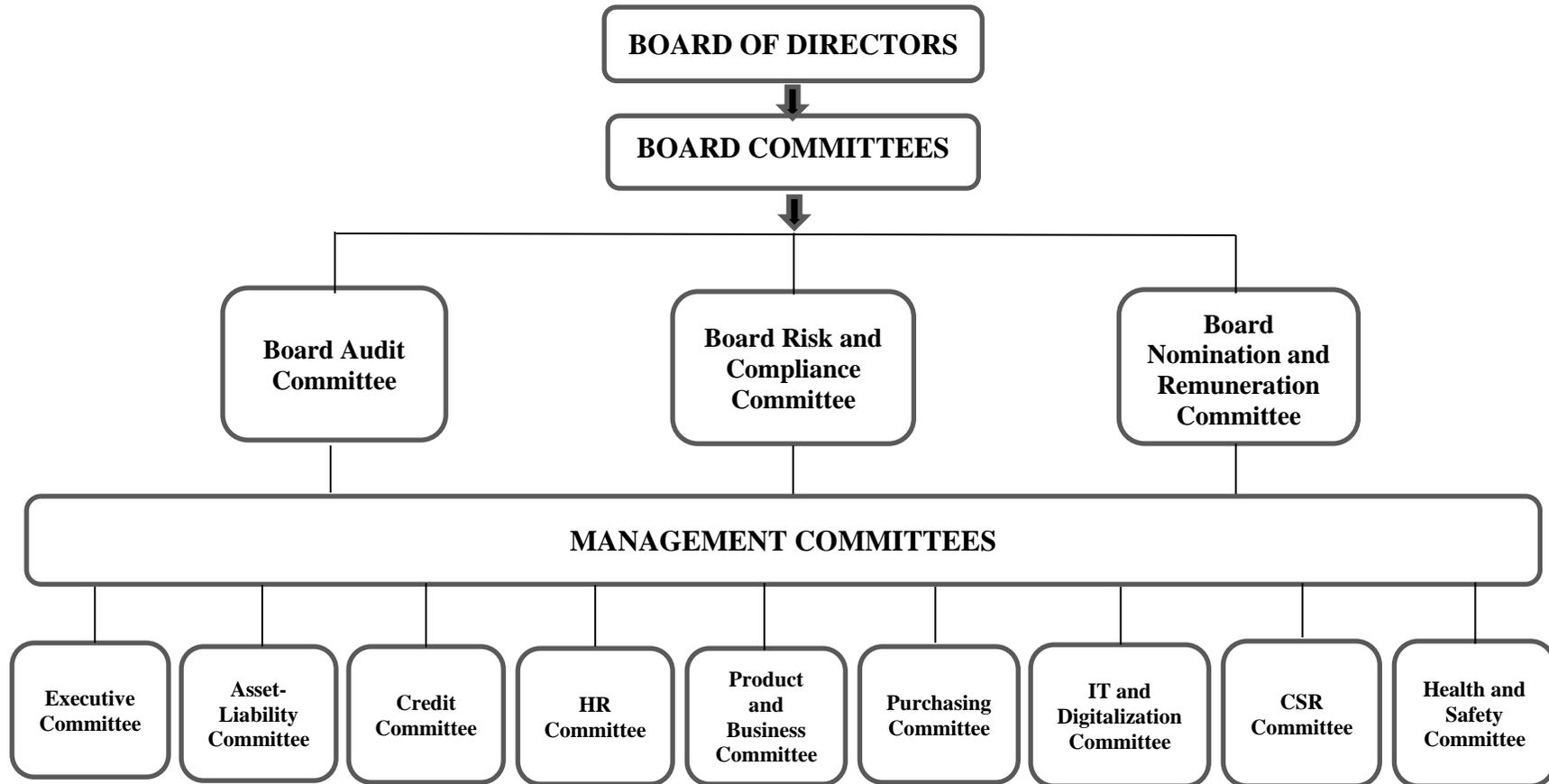
AYA Bank have the corporate values which are to progress as a team, to think and act in all honesty, to maintain integrity at all times, to care for our customers, our colleagues and the people we interact with and to always act with sincerity. Brand

Promise of AYA Bank (Ayeyarwady Bank) is the bank of choice for anyone who is looking for fast, reliable, honest banking relationships at a reasonable cost. AYA Bank offers the full range of retail and commercial banking products and services and is in tune with domestic customs and international standards in its governance and operations. For long-term banking needs, AYA Bank is the trusted partner in Myanmar.

### **3.2 The Organization Structure of AYA Bank**

The bank is managed by the Board of Directors which is composed of 14 members selected by the Annual General Assembly. Under the management and direction of the board of directors, AYA bank has been able to position itself as one of the most known and reliable banks in Myanmar. With the bank following organization structure in Figure (3.1), AYA Bank is operating banking functions with accelerating momentum is Head Office with 12 Departments and over 265 bank branches across the country under the control of Executive Management Committees, Vice Chairman and Chairman. Vice Chairman serves as Chief Executives Officer (CEO) who is the main person of AYA Bank banking business and working together with two managing directors and the nine management committees. Board is the highest authority within the structure of the Bank and the Board of Directors has ultimate responsibility for the bank's business strategy and financial soundness, organizational structure, governance framework and practices, risk management and compliance obligations. The Board is chaired by Founder and Chairman of the Bank and comprising nine members including three Independent Non-Executive Directors with diverse backgrounds and expertise. The Executive Committee is led by an Executive Chairman of the Bank and serves as steering committee for the rest of the Board. It has the power to facilitate decision-making between board meetings or in urgent and crisis circumstances.

Figure (3.1) AYA Bank Organization Chart



Source: AYA Bank (2022)

### **3.3 AYA Bank Products and Services**

The AYA bank product refers to a combination of products and services made available to the general population to meet their requirements. The section describes the AYA Bank's goods and services.

#### **(I) Deposit Type**

The deposit services are: AYA Current Account, AYA Foreign Currency Account, Seafarer Saving Account, Saving Account, and Interest maximizer account, Loyal account, and Fixed Deposit account, Premium Saving deposit.

The AYA Current Account is a non-interest-bearing account ideal for companies that conduct daily financial or business operations. The foreign currency account is a non-interest-bearing current account and is designed for customers who want to minimize foreign exchange risk while maximizing payment efficiency in foreign currency. AYA Seafarer Saving Account (AYA SSS) is a package of banking products and services designed especially for Myanmar seafarers. The product package consists of a demand account in USD, a savings account in Kyat, and an AYA Debit card.

AYA saving account is an interest-bearing account for individuals who want to save and earn interest on their excess cash. The initial amount is 1,000 Kyats and the monthly interest is 6.00% p.a. The AYA Interest Maximizer Account is an interest-bearing account with the chance of obtaining a bonus and interest at the same time. The regular interest rate is 6.00% per annum, and the extra bonus interest rate is 0.25% per annum. The AYA Loyal Account is an interest-bearing account with the option of obtaining bonus interest. The regular interest rate is 6.00% per annum, and the extra bonus interest rate is 0.5% per annum.

AYA Premium Saving helps people develop frugal behavior by rewarding higher interest to account holders. Normal interest is 2% and earns daily interest. AYA Time Deposit is ideal for an individual who has excess cash for an extended period of time. The account is opened for a particular fixed period (time) by depositing a particular amount (money), and withdrawal is only allowed at the end of the particular period.

### **(i) Loans and Advances**

AYA Bank Home loan offers housing loans to help people in Yangon buy the homes they want. Instead of using the bank's dealers, customers may select from a variety of condos, apartments, or landed property from our approved dealers (Dealer Program) or want one from any dealer (Individual Program). AYA Education Loan offers financial assistance for diploma, degree, and postgraduate studies in local private border schools, universities, and international schools.

AYA Bank provides fixed loans and overdrafts to inhabitants of Myanmar in an effort to spur economic growth, advance working capital in the nation, and advance development. Loan interest is paid on the whole amount allowed as well as overdraft interest, both of which have annual interest rates of 10%. AYA trade financing loan takes only a short of time to set up this short-term financing. Customers or clients of a firm frequently seek trade credit terms in the opposite scenario.

AYA SMEs loan with a variety of loan options, AYA Bank has been providing finance for SMEs for over three decades. We collaborate with local and international government organizations to introduce more adaptable and alluring funding choices for regional SMEs.

AYA Auto loan wants to provide the customer an installment plan while still allowing them to use the car as they feel fit. Customers may choose from a variety of used car and brand-new car from the approved dealers listed by AYA bank

### **(iii) Remittances**

Types of remittances are AYA Payment Loan, AYA Local online remittance service, AYA Swift telegraph transfer, and AYA International money transfer service. AYA Local Online Remittance Service is a telegraphic transfer that is the quickest means whereby the beneficiary generally receives payment within 24 hours of dispatch in local or foreign currency and payment to a beneficiary linked to a large network of branches.

### **(iv) Cash Management (CMS)**

There are several advantages for corporations who must perform administrative tasks to collect money, including the fact that the money is safely and quickly used in a bank account. Electronic accessibility to payment information

(accuracy and speed) enhances reconciliation. Receivables (collection), Payables (payment), and Liquidity Management are the three categories of cash management (SWEEP).

**(v) Card Payment**

Customers have a choice between debit and credit cards with different logos (MPU, JCB, and VISA). The AYA debit card assists the client in making electronic payments for products and services. An MPU payment card, such as the AYA credit card, is a practical way to borrow money in order to pay for products and services. The Silver, Gold, and Platinum credit cards from AYA each have specific benefits and rewards

**(vi) Electronic Banking Service**

Because of the growth of online banking and ecommerce over the last few decades, the electronic payment has changed rapidly. We can see the growth of electronic payment systems and payment processing systems as technology progresses throughout the world. Three different types of electronic banking services are offered by AYA Bank: AYA I Banking, m Banking, and AYA Pay. Customers of the bank can conduct real-time banking transactions using PCs, Laptops, Smartphones, or other devices with internet connection using AYA I Banking, a web-enabled electronic delivery channel.

**(vii) Trade Services**

Trade services include export and import services and bank guarantees. A Letter of Credit AYA Bank's export services of trade financing include pre and post shipment financing as well as outward documentary collections. AYA Bank's Import Trade Financing includes the opening of Letters of Credit, inward Documentary Collections, Trust Receipts, and Shipping Guarantees. AYA Bank guarantees are one type of trade financing offered by AYA Bank. These are issued for common commercial or statutory requirements, including contract tenders and payment guarantees.

**(viii) AYA Royal Banking**

For our most valued customers, AYA Royal Banking is an exclusive membership that provides premium benefits. We are dedicated to long-term, sustainable investments and relationships beyond the banking industry. The bank's authorization to function as an investment or development bank for the domestic market are borrowing or raising of money, lending or advancing of money either secured or unsecured, receiving securities or valuables for safe custody, collecting and transmitting money and securities.

### **3.4 Service Quality of AYA Bank**

This part describes the influencing factors on service quality of customer satisfaction factors at AYA bank in Yangon. These factors are included tangibles, responsiveness, reliability, assurance, and empathy.

Customer service quality is part of the business life of any corporate entity. AYA Bank is a service organization and financial institution in Myanmar. As a service organization, customer service and customer satisfaction are the prime concerns of the bank. The bank believes that excellence in customer service is its prime motto; providing prompt and efficient service should be of paramount importance in its business policies. This part describes the characteristics of service provided by AYA bank in Yangon. These characteristics include tangibles, responsiveness, reliability, assurance, and empathy.

#### **Tangibility of AYA Bank**

In the bank, tangibility proved to be extremely relevant and useful. Customers are visual beings, and what they see, touch, feel, or smell has an impression on their satisfaction with a product or service. AYA Bank has good facilities, an attractive building, and is well organized. For the ease of visibility of resources necessary for providing the service to customers, employees have a well-groomed, neat, and professional appearance. The bank eases access to written material like pamphlets, brochures, deposit and withdrawal slips, etc. The bank's information and communications technology (ICT) equipment is modernized and physical facilities and their appearance, such as ambience, lighting, air-conditioning, and seating, are well-arranged. AYA Bank has updated modern ATM machines. AYA Bank's physical facilities are visually appealing, materials associated with the service are visually appealing at AYA Bank. AYA Bank focuses on what is the best way to update and visually appear from a customer's point of view. AYA bank has a pleasant

and sufficient lobby and waiting area for customers, and the bank has enough availability for customer car parking.

### **Reliability of AYA Bank**

AYA Bank describes reliability as one of the fundamental values and the act of conducting ourselves in an honest and ethical way with everyone we do business with. Reliability indicates whether the service is provided accurately as promised to its customers. AYA Bank is to maintain consistency of performance that is required to deliver service to customers dependably and accurately as promised, and to deal with whatever the problems in service are encountered by customers. AYA Bank provides services on time and right the first time. The bank has maintained error-free and up-to-date records. The bank ensures customers' information and transaction records are kept with confidentiality and there is no misuse of customer data. AYA bank has updated information and technology on its website, and staff are available for assistance with electronic banking services for customers. Customers feel that AYA bank is physically secured with monitoring devices such as CCTV cameras.

### **Responsiveness of AYA Bank**

AYA Banks are aiming to improve the quality of their services by empowering their staff, providing self-service for clients, maintaining consistency throughout all touch points, educating customers about financial literacy, and adopting financial technology. Banks are looking for ways to enhance their customer service. Responsiveness indicates the organization's willingness to help and its customers' problems to be solved readily. AYA bank operates in good faith and without regard to the customer's best interests. The customer has the full right to register a complaint if they are not satisfied with the services provided by the bank. Customers can give their complaints in writing, orally, or over the telephone at anytime, such as call-center, bank website, and every branch. AYA Bank demonstrates its commitment to providing customers with prompt service when needed. AYA Bank's willingness or readiness of employees to provide the required customer service without any inconvenience at any time. AYA bank employees are always willing to help customers' needs and are never too busy to respond quickly to any complaints from customers. The staff are telling customers exactly when services will be performed.

### **Assurance of AYA Bank**

AYA bank affirms that honesty is essential in building trust between the bank and its customers, valued customers and stakeholders, as stated in the AYA Bank Brand Promise, "Your Trusted Partner." In advancing the interests of those represented and communicating with the public, AYA Bank adheres to the highest standards of accuracy and truth. AYA bank assurance indicates knowledge and courtesy of employees and brings trust and confidence. AYA Bank prioritizes employee knowledge and good manners (or courtesy). The ability of employees, with the help of their knowledge possessed, to inspire trust and confidence. AYA bank's staff's behavior instills confidence in customers, who feel safe and secure while doing their transactions with AYA bank. Bank staff are very cooperative and courteous with customers and are knowledgeable enough to answer customers' queries. The employees of AYA bank are responsible for the security of credit and debit card information and AYA mobile banking/I banking financial transactions. Customers feel confident in the employees at the AYA bank.

### **Empathy of AYA Bank**

AYA Bank strongly believes that caring is an integral component of an organization and encourages employees to demonstrate it every day by expressing and accepting care in their professional relationships. AYA indicates that organizational empathy shows care individualized and personalized special attention in providing required service to customers. AYA Bank treats its customers with care and respect. The bank opens at convenient operating hours for their customers. AYA Bank provides a convenient atmosphere inside the building. The bank has the customers' best interests at heart. Bank staff understand the specific needs and wants of customers. AYA Bank understands customer expectations better than competitors in providing the required customer service.

## **CHAPTER IV**

### **ANALYSIS ON SERVICE QUALITY, CUSTOMER SATISFACTION AND CUSTOMER LOYALTY OF AYA BANK**

In this chapter, it examines the demographic information of respondents, their bank usage characteristics, and the respondents' options on the extent to which AYA bank offer tangibles, reliable, responsiveness, assurance, and empathy service quality. Finally, it explains the effect of the customer satisfaction on the customer loyalty at AYA Bank.

#### **4.1 Research Design**

This study aims to identify the influencing factors on customer satisfaction, to examine customer satisfaction on the customer loyalty in AYA Bank. Descriptive research method is used in this study to achieve the objectives of the study. The primary and secondary data are used. For the collection of primary data, the sample size for this study was 194 AYA bank customers. In this research, the quantitative data and a structured questionnaire was used. These paper questionnaires are implemented online, such as e-mail, web surveys. Secondary data are obtained from relevant research paper, journal articles, reference books and internet websites. Descriptive and analytical research methods are used in this study. The survey question used for this study consists of four main sections; section (1) demographic factors (personal) information, section (2) influencing factors on customer satisfaction, and section (3) customer loyalty. This study used five point Likert scale ranging from "Strongly disagree to strongly agree" (1= strongly disagree to 5= strongly agree). The Likert scale data saved as ordinal and descriptive data saved as nominal type in SPSS.

#### **4.2 Demographic Information of Respondents**

The first step of analysis is made to realize participants' demographic information in terms of their gender composition, age range, marital status, education level, occupational positions, and family income level analysis. This section presents

the profile of respondents by frequency and percentage. The respondents' profiles are shown in Table (4.1).

**Table (4.1) Demographic Profile of Respondents Analysis**

<b>Sr. No</b>	<b>Particular</b>	<b>No. of Respondents</b>	<b>Percent</b>
1	Gender: Male	86	44
	Female	108	56
2	Age: 18-25	14	7
	26-35	125	64
	36-45	46	24
	46-55	8	4
	Above 55	1	1
3	Marital Status: Single	117	60
	Married	77	40
4	Educational: High School	4	2
	University Students	23	12
	University graduate degree	114	59
	Post graduate diploma	12	6
	Master degree	35	18
	Others	6	3
5	Current Occupation: Student	8	4
	Housewife/Dependents	5	3
	Private employees	69	36
	Government employee	25	13
	Employees of NGO, INGOs	3	2
	Self-employee	9	5
	Freelance Profession	17	9
	Business Owner	30	15
	Others	28	14

**Table (4.1) Demographic Profile of Respondents Analysis (Continued)**

<b>Sr. No</b>	<b>Particular</b>	<b>No. of Respondents</b>	<b>Percent</b>
6	Monthly Income:		
	Less than 100,000 Kyat	15	8
	100,001 Kyat to 300,000 Kyat	48	25
	300,001 Kyat to 500,000 Kyat	39	20
	500,001 Kyat to 700,000 Kyat	33	17
	700,001 Kyat to 1,000,000 Kyat	17	9
	Above 1,000,000 Kyat	42	22
7	Year(s) of using AYA Bank: Less than 1 year	18	9
	1 to 3 years	57	29
	4 to 5 years	22	11
	Above 5 years	97	50
8	Other bank account: KBZ	90	46
	UAB	7	4
	YOMA	13	7
	CB	28	14
	AGD	5	3
	MAB	10	5
	Others	41	21
9	Motivated to use AYA bank: Self-motivated	105	54
	Friends	36	19
	Advertisement	9	5
	Business owner	22	11
	Other	22	11
	<b>Total</b>	<b>194</b>	<b>100</b>

Source: Survey data, 2022

According to Table (4.1), the majority of the respondents are females who are between 26 and 35 years old, followed by those who are between 36 and 45 years old. It has been found that bachelor's and master's degree holders tend to be single. The majority of respondents are self-employed, followed by business owners, and their monthly income ranges from KS300,001 to KS500,000. They have used AYA bank

over 5 years, and they are self-motivated to use AYA. Moreover, the majority of people also utilize the KBZ bank.

### 4.3 Reliability Test for Variables

Reliability value range from 0 to 1. The value of zero indicate no consistency of questions in a variable, when alpha value is closer to 1, this shows high consistency between the constructed questions with a variable. Table (4.10) explains the result of reliability analysis, as follows.

**Table (4.10) Summary of Reliability Test for each Variable**

Sr. No.	Variable	Cronbach's Alpha	No of Items
1	Tangibility	0.889	8
2	Reliability	0.901	9
3	Responsiveness	0.910	8
4	Assurance	0.924	7
5	Customer Satisfaction	0.926	7
6	Customer Loyalty	0.917	6

Source: Survey data, 2022

The overall reliability value in the constructed 45 items of service quality, customer satisfaction and loyalty analysis received 0.911. Apart from Tangible factor, all the service quality dimensions and customer satisfaction, loyalty variable has alpha value over 0.9. This highest Cronbach's alpha value indicates excellent construct of the selected factors and variable in the study model.

In the analysis of the relationship between the dependent variable (customer satisfaction) and independent variable (service quality factors). Pearson correlation analysis method was used. Table (4.11) is the correlation analysis of the customer satisfaction and service quality variable, as follows.

**Table (4.11) Relationship between Service Quality and Customer Satisfaction**

<b>Sr. No.</b>	<b>Factor</b>	<b>Pearson Correlation</b>
1	Customer Satisfaction	1
2	Tangible	0.757**
3	Reliable	0.770**
4	Responsiveness	0.760**
5	Empathy	0.850**
6	Assurance	0.856**

Source: Survey data, 2022

As shown in the above Table (4.11), it indicates that, all have positively correlated at the significant value at 1% level. Tangible factor, reliability factor, responsiveness factor, empathy factor, and service assurance factors are positively correlated at the significant value at 1% level. All the factors are more than 0.7, and thus their correlations are strongly correlated variables to the customer satisfaction.

#### **4.4 Analysis of Perception on AYA Bank Service Quality, Customer Satisfaction and Customer Loyalty**

The second step of analysis is to realize participants' options upon the service quality dimensions by the use of Five Point Likert Scale measurement of from 0 to 1.8 is being totally disagree, above 1.8 to 2.6 presents disagree, above 2.6 to 3.4 could not decide or neutral, above 3.4 to 4.2 is agree, and above 4.2 to 5 is totally agree. The focus service quality dimensions of AYA Bank are as follows.

##### **Tangibility**

Table (4.2) presents the result from the perception of AYA Bank's Tangible Factor Analysis. Respondents have to express their options on bank's modern equipment, physical facilities, employees apparel neat and professional manner, materials associated with service visually appealing, the appearance of banks physical facilities, equipment, personnel and communication materials, the bank equipped with good facilities, a spacious building, and well arranged, and pleasant and sufficient lobby and waiting area for customers, and also on the bank availability for enough space of car parking.

**Table (4.2) Mean Value of Tangibility**

<b>Sr No.</b>	<b>Statement</b>	<b>Mean</b>	<b>St. Dev.</b>
1	Bank has modern equipment	3.64	0.57
2	Physical facilities are visually appealing	3.59	0.58
3	Employees appear neat and professional	3.62	0.61
4	Materials associated with service visually appealing	3.52	0.62
5	The appearance of banks physical facilities, equipment, personnel and communication materials	3.58	0.63
6	The bank is equipped with good facilities, a spacious building, and well arranged	3.57	0.63
7	Customers can wait in a comfortable and spacious lobby.	3.40	0.69
8	There is sufficient space available at the bank for customers' car parking.	3.30	0.76
<b>Overall Mean</b>		<b>3.53</b>	

Source: Survey data, 2022

According to Table (4.2), the overall mean value of 3.53 is revealing the majority of respondents agree to the related statement of physical factor. The highest mean value of 3.64 related to physical factor presents for the most respondents agree that AYA Bank has modern equipment. The lowest mean value of 3.30 in the physical factor is majority of respondents has an average agreement of the statement of bank has enough availability for customer car parking.

## Reliability

Table (4.3) presents the result of on customer perception of bank's reliable service factor, as follows.

**Table (4.3) Mean Value of Reliability**

Sr No.	Statement	Mean	St. Dev.
1	When staff promise something by certain time, it was delivered	3.55	0.63
2	The bank staff delivers the service with promptness and as promised	3.55	0.64
3	The bank offers services that are accurate and timely the first time.	3.56	0.63
4	The bank has provided up-to-date and complete records, including printed passbooks and bank statements.	3.49	0.65
5	The bank is physically secured with monitoring devices such as CCTV cameras	3.63	0.57
6	Staff provide assistance and support for electronic banking and ATM card services.	3.66	0.54
7	Updated information and technology on bank website	3.52	0.63
8	The bank ensures customers' transactions and record are kept with confidentiality	3.60	0.61
9	There was no misuse of the personal data.	3.58	0.59
<b>Overall Mean</b>		<b>3.57</b>	

Source: Survey data, 2022

According to Table (4.3), the overall mean value of 3.66 is presenting the majority of respondents agree to the related statement of reliability of bank. The highest mean value of 3.64 related to reliability factor presents for the respondents agree that AYA Bank has reliable assistance in e-banking and services. The second major agreement is found in the statement of bank is physically secured with monitoring devices such as CCTV cameras with mean value 3.63. The lowest mean value of 3.49 in reliable service dimension indicates also respondents agree to the

statement of AYA bank has maintained error-free and up-to-date records such as bank statement and passbook printing. Based on the highest mean value and lowest mean score, both are higher and fallen in the agree able range, majority of respondents are found as high recognized on the reliable service of AYA Bank.

### Responsiveness

Table (4.4) presents the result of the descriptive analysis on bank's employees' responsiveness factor. By the use of total eight statements, respondents' responses are listed in the below table (4.4) as follows.

**Table (4.4) Mean Value of Responsiveness**

Sr No.	Statement	Mean	St. Dev.
1	Employees assure customers that services will be delivered precisely on time.	3.54	0.64
2	Staff gives prompt services	3.61	0.60
3	Staff are always willing to help customers' need	3.59	0.60
4	Staff is never too busy and quick respond to any complaints the customers	3.54	0.61
5	The bank can attend to customer complaints even after working hours through call center services	3.32	0.70
6	Employees are knowledgable and skillful.	3.57	0.60
7	Employees possess good manners.	3.48	0.65
8	The bank operates in good faith and without regard to the customer's best interests.	3.47	0.60
<b>Overall Mean Value</b>		<b>3.52</b>	

Source: Survey data, 2022

According to Table (4.4), the overall mean value of 3.52 is revealing that the majority of respondents agree to the related statement of responsiveness service dimension. The highest mean value of 3.61 related to responsiveness service presents for the most respondents agree that AYA Bank staff in giving prompt service to the customers. The lowest mean value of 3.32 in the responsiveness factor is indicating

majority of respondents has an average agreement of the statement of bank can attend to customer complaints even after working hours through call center services.

### **Empathy**

Table (4.5) presents the descriptive analysis on empathy factor service dimension at AYA Bank. Total seven statements are used and their responses were listed as follows.

**Table (4.5) Mean Value of Empathy**

<b>Sr No.</b>	<b>Statement</b>	<b>Mean</b>	<b>St. Dev.</b>
1	The staff show individualized and personalized special attention to customers.	3.47	0.65
2	The bank opens at convenient operating hours for their customers.	3.52	0.65
3	Bank treats its customers with care and respect.	3.51	0.63
4	Bank has customers' best interest at heart	3.48	0.64
5	Bank staff understands specific needs of customers	3.46	0.63
6	Bank provides convenience atmosphere inside the building.	3.53	0.61
7	Bank employees behave towards customers with warmth and friendliness.	3.56	0.59
<b>Overall Mean Value</b>		<b>3.51</b>	

Source: Survey data, 2022

According to Table (4.5), the overall mean value of 3.51 is revealing the majority of respondents agree to the bank employees' empathy service quality. The highest mean value of 3.56 related to employees' empathy service presents for the most respondents agree that AYA Bank staff pays interest and attitude to assist to customers. The lowest mean value of 3.46 in the empathy service factor is indicating majority of respondents has also moderate agreement of the statement of Bank staff understands specific needs of customers.

## Assurance

Table (4.6) presents the descriptive analysis on service assurance factor at AYA Bank. Total seven statements are also used and their responses were listed as follows.

**Table (4.6) Mean Value of Assurance**

Sr No.	Statement	Mean	St. Dev.
1	Bank staff behavior instills confidence in customers.	3.58	0.57
2	Customers feel safe and secure while doing their transactions with AYA bank.	3.58	0.61
3	Bank staff are very cooperative and courteous with customers.	3.59	0.61
4	Bank staff are knowledgeable enough to answer customers' queries.	3.57	0.60
5	Customers have high confidence levels in employees.	3.54	0.59
6	Knowledge and courtesy displayed by the employees instill trust and confidence in customers.	3.51	0.60
7	Security of credit and debit card information and AYA mobile banking / I banking financial transactions	3.63	0.55
<b>Overall Mean</b>		<b>3.57</b>	

Source: Survey data, 2022

According to Table (4.6), the overall mean value of 3.57 is revealing the majority of respondents agree to the bank employees' assurance of banking services. The highest mean value of 3.63 related to service assurance is presenting the most respondents agree that Security of credit and debit card information and AYA mobile banking/ I banking financial transactions. The lowest mean value of 3.51 in the service assurance factor is indicating majority of respondents has also moderate agreement of the statement of Knowledge and courtesy displayed by the employees instill trust and confidence in customer.

## Overall Service Quality of AYA Bank

Table (4.7) is the result of overall perception of Respondents about Service Quality of AYA Bank. The summary of the analysis is as shown in Table (4.7).

**Table (4.7) Overall Perception of Respondents about Service Quality of AYA Bank**

Sr No.	Factor	Mean
1	Tangibility	3.53
2	Reliability	3.57
3	Responsiveness	3.52
4	Empathy	3.51
5	Assurance	3.57
<b>Overall Mean</b>		<b>3.54</b>

Source: Survey data, 2022

The descriptive analysis on the service quality factor receives overall mean value of 3.54, which is fallen in the agreeable range of 3.41 to 4.20. This means majority of respondents agreeable of these service quality dimensions related to customer satisfaction at that bank at where they are using it.

### Customer Satisfaction

A study was conducted to investigate the current level of satisfaction at AYA Bank. Table (4.8) presents the analysis of customer satisfaction with AYA Bank services.

**Table (4.8) Mean Value of Customer Satisfaction**

Sr No.	Statement	Mean	St. Dev.
1	I am satisfied with office decoration	3.47	0.62
2	I am satisfied with the employees' cooperation	3.59	0.58
3	This bank can meet my expectations better	3.42	0.62
4	I am satisfied with the performance of this bank	3.52	0.61
5	I have no complain against this bank	3.49	0.64
6	The financial products and services are at the desirable level.	3.51	0.59
7	The financial products and services are met my expectation.	3.47	0.61
<b>Overall Mean</b>		<b>3.50</b>	

Source: Survey data, 2022

According to Table (4.8), the overall mean value of 3.50 for the customer satisfaction level indicates that the majority of respondents present their agreeable option of satisfaction with current AYA Bank services.

## Customer Loyalty

Table (4.9) shows the descriptive analysis of customer loyalty levels. A total of six statements related to customer loyalty were used to ask respondents. The perception of customer loyalty level is shown in Table (4.9).

**Table (4.9) Mean Value of Customer Loyalty**

Sr No.	Statement	Mean	St. Dev.
1	I will continuously use this bank.	3.58	0.56
2	I will introduce this bank to others.	3.54	0.59
3	The services provided by this bank are excellent.	3.44	0.64
4	I am impressed with this bank's services.	3.56	0.58
5	I'll recommend other people to use this bank.	3.57	0.58
6	I have a positive impression of this bank's branches throughout Myanmar.	3.62	0.56
<b>Overall Mean</b>		<b>3.55</b>	

Source: Survey data, 2022

The overall mean value of 3.55 for the customer loyalty analysis is showing that majority of respondents agree of their having loyalty in AYA Bank. This means they will continue to use AYA Bank service, introducing to others to use AYA Bank, they feel happy with Bank services, recommend to tell to others the good faith of AYA Bank.

## 4.5 Effect of Service Quality on Customer Satisfaction

In the analysis of the effect of service quality on customer satisfaction, linear regression model was use. Regression analysis is a use of a statistical processes for estimating the relationships between a dependent variable (customer satisfaction) and more independent variables (selected service quality factors often called 'predictors').

To be more fit in the correlation of dependent variable (customer satisfaction) by independent variables (tangible factor, reliable factor, responsiveness factor, empathy factor, and assurance factor), regression analysis is used. Table (4.12) explains the result of the analysis of linear regression as follows.

**Table (4.12) Effect of Service Quality on Customer Satisfaction**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-.097	.132		-.738	.462		
Tangible	.286***	.051	.270	5.646	.000	.427	2.341
Reliable	.025	.078	.022	.317	.752	.198	5.042
Responsiveness	.072	.074	.070	.976	.330	.192	5.219
Empathy	.359***	.069	.356	5.211	.000	.210	4.751
Assurance	.418***	.074	.403	5.655	.000	.193	5.191
R	.903 <sup>a</sup>						
R Square	.816						
Adjusted R Square	.811						
Durbin-Watson	2.192						
F	166.532***						

Dependent variable: Customer Satisfaction

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

Source: Survey data, 2022

By the regression analysis, the whole model was showing the variation customer satisfaction level. The standardized coefficient (Beta) of the assurance factor has the largest value (.418) among five explanatory variables, indicating that assurance has the greatest contribution to an increase in customer satisfaction when the variance explained by other variables is controlled for. This means the 100% increase or 1 time increase of assurance service quality dimension would increase customer satisfaction by 41.8%.

The second influencing factor on customer satisfaction is the empathy coefficient (Beta) of.359 and the third is the tangible coefficient beta of.286, respectively. The overall evaluation reveals that models explain the variation in the attitude of the AYA bank well. The increases in better assurance have a positive effect on customer satisfaction.

The value of F 166.532 is significant at 1% ( $p < 0.01$ ,  $F = 166.532$ ). This explains highly significance of the model at 1% level, and thus, this use of regression model is valid. This table can explain the effect of the services qualities on customer

satisfaction by its strong variation for its R Square value of 0.816. This means that the independent variable of the selected service quality factors can vary customer satisfaction by 81.6%. ( $P < 0.01$ ,  $r^2 = 0.816$ ).

The empathy factor is moderately and positively correlated to customer satisfaction, and the significant value is less than 1% level ( $P < 0.01$ ,  $r = 0.359$ ). The assurance factor is moderately and positively correlated to customer satisfaction, and the significant value is less than 1% level ( $P < 0.01$ ,  $r = 0.416$ ).

The tangible factor is fairly and positively correlated to customer satisfaction, and the significant value is less than 1% level ( $P < 0.01$ ,  $r = 0.286$ ). The service reliable factor is poorly and positively related factor, but its significant value is not significant at 5% level ( $P > 0.05$ ,  $r = 0.025$ ). Responsiveness factor is also poorly and positively factor, but it is not significant at 5% level ( $P > 0.05$ ,  $r = 0.072$ ).

#### 4.6 Effect of Customer Satisfaction on Customer Loyalty

In the analysis of the effect of customer satisfaction on customer loyalty at AYAA bank, linear regression analysis also used. Table (4.13) explains the statistical analysis method result of the impact of satisfaction, as follows.

**Table (4.13) Effect of Customer Satisfaction on Customer Loyalty**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.604	.124		4.876	.000		
Customer Satisfaction	.843***	.035	.867	24.069	.000	1.000	1.000
R	.867 <sup>a</sup>						
R Square	.751						
Adjusted R Square	.750						
Durbin-Watson	2.425						
F	579.325***						

Dependent Variables: Customer Loyalty

\*\*\* = Significant at 1%

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

Source: Survey data, 2022

The value of F is significant at 1% ( $P < 0.01$ ,  $F = 0.579$ ). This indicates the valid of the selected model. Table (4.13) explains the effects of influencing of customer satisfaction variable on customer loyalty by the use of regression analysis. By the calculation, the value of R square is 0.751, and it explain 75.1% variation on customer loyalty.

The customer satisfaction factor is found to be positively and highly correlated factor since  $r > 0.7$  and  $p < 0.01$ . This indicates when the increase of 100% more customer satisfaction could increase 84.3% customer loyalty at AYA Bank.

Study can explain that AYA bank will have chance to promote more customer loyalty by the increase in increase of customer satisfaction and this customer satisfaction could be promoted by increase of bank tangible factor, employee empathy, and more assurance service dimension.

## **CHAPTER V**

### **CONCLUSION**

This chapter is composed of three parts. Firstly, it presents the findings and discussions based on the survey data. Secondly, the suggestions and recommendations based on the findings is presented. Finally, it states the need for further study.

#### **5.1 Findings and Discussions**

This study explores the relationship between customer satisfaction and customer loyalty of the AYA Bank in Yangon. According to the study, the majority of the respondents are females. Age analysis explains majority of respondents are about 26 years old with majority of age level. Educational level analysis finds out there has been bachelor's and master's degree holders. The majority of respondents are found as self-employed, followed by business owners. Monthly income analysis finds out the majority have earned from KS 300,000. Usage behavior analysis finds out that majority have used AYA bank for over 5 years, and they are self-motivated to use AYA. Moreover, the majority of people also utilize the KBZ bank. The descriptive study found that the tangible factor was distinct by the fact of bank use of modern equipment. Employees appear neat and professional manner are also found out as significant tangible factor as the most agreement of respondents.

Reliability service dimension is also higher mean value. It is found that the assistance in e-banking and services is the most respondents' agreement that present reliable service quality of bank. Responsiveness factor is also found as higher overall mean value. Among the other statements, majority of respondents agree bank staff pays interest and attitude to assist to customers would be the most influential factor in that of responsiveness service quality of AYA Bank.

Regarding to the analysis on service assurance, the overall mean value is higher. The security of credit and debit card information and AYA mobile banking/ I-banking financial transactions would be found to be highest customer agreement as service assurance of AYA Bank to its customers.

Among the five service quality factors, service reliable and assurance dimensions of service quality had the greatest effect on customer satisfaction and loyalty. From this study, it may be concluded that AYA bank customers feel secure

using the services and that they can trust AYA bank for prompt, adequate service. Statistical analysis explains there is tangible, empathy, and service assurance dimensions would be the most variation to increase more customer satisfaction at AYA Bank. The increase in customer satisfaction is in terms found to be increase customer loyalty at the products and services of AYA Bank.

## **5.2 Suggestions and Recommendations**

AYA bank has a chance to improve more customer satisfaction if the practitioners and management of AYA Bank focus on service quality, "Tangibility", "Assurance" and "Empathy" service dimensions. As for the suggestion, bank could have more focus on service assurance and empathy service quality than tangible factor. There are two main reasons: the higher the coefficient values than tangible factor, and the two factors are more related to bank employees' behavior. For that, reviewing employees' service rendering is more efficient than investing more tangible factors. From this study AYA Bank can use when they set new marketing strategy for customer satisfaction. AYA Bank management also consider for the improvement and sustainable factors from this study.

This study found that assurance, empathy, and tangibility dimensions of service quality have a positive significant influence on customer satisfaction. Therefore, the bank teams provide the services to customers promptly. The employees possessed with the help of their knowledge, to inspire trust and confidence more. AYA bank's staff's behavior instills confidence in customers, who feel safe and secure while doing their transactions with AYA bank. As Myanmar is a developing country and most of the Myanmar people are not familiar with technology and IT devices, AYA bank should support more user-friendly machines and assign staff to support the customers. For example, most of the customers are not familiar with ATMs and mobile banking for transferring money. Therefore, AYA Bank has to provide modern machines that are more user-friendly for customers and more advertisements for these value-added services.

Moreover, bank employees must show individualized and personalized special attention in providing the required service to customers. The employee treats its customers with care and respect and has the customers' best interests at heart. Banks need to try to understand customer expectations better than competitors in providing the required customer service, especially to improve customer loyalty, AYA Bank

should give sustainable training to staff to be willing to help customers and to give individual attention to customers at all times, as well as require employees to be neat and well-dressed during working hours.

This study demonstrated interrelationships among service quality, customer satisfaction, and customer loyalty in the banking sector, Myanmar. As all service quality attributes are positively correlated with customer satisfaction and loyalty, bank managers should be focused on providing efficient and effective quality services. Assurance shows the highest positive correlation and empathy shows the second highest correlation with customer satisfaction in the current study. These two factors are related to the bank's employees, thus bank managers should concentrate on the employee training programs so that they can offer effective personalized service.

The vision and the mission statement should be displayed to draw the attention of the customers to the customer handling policy and to develop a long-term relationship with them. It is also revealed from the study that there is a strong correlation between customer satisfaction and customer loyalty. Hence, bank managers should concentrate not only on maintaining existing services but also enhance the service standards as the customer satisfaction mean score is just above the threshold point.

Because tangibility is the third most influential characteristic on customer satisfaction, managers must take important steps to distinguish their tangibility (location, clear bank statements, employee dress code, etc.) from other banks. Responsiveness and reliability also have the least positive correlation with customer satisfaction. Therefore, managers must ensure that customers are delivered services on time and to the highest standards, for which they should arrange complete training for their employees so that they may be able to satisfy bank customers, as ultimately the satisfied customers become loyal customers.

### **5.3 Needs for Further Study**

There are some limitations conducting this study. First, the sample size is small to represent the overall population and secondly the random sampling method was used to collect data from bank customers. In future, researcher may include a large sample size and may practice other method which is the basis for generalizability of the findings. Thirdly, in this study the data was collected only from Yangon while customers from other areas of the country may have different

experiences. There are some other factors also that can affect customer preference like convenience, charges etc. This study included only retail banking customers while corporate bank customers and foreign account holding customers are not included in the sample. In future, researchers may include those customers other than the retail banking customers.

## REFERENCES

- Abd-El-Salam, E. M., Shawky, A. Y., & El-Nahas, T. (2013). The impact of corporate image and reputation on service quality, customer satisfaction and customer loyalty: testing the mediating role. Case analysis in an international service company. *Journal of Business and Retail Management Research*, 8(1).
- Alabboodi, A. S. (2019). The effect of customer satisfaction on service quality: The case of Iraqi banks. *International Journal of Applied Research*, 5(1), 146-152.
- Ananth, A., Ramesh, R., & Prabakaran, B. (2011). Service quality gap analysis in private sector banks—A customers perspective. *Indian Journal of Commerce and Management Studies*, 2(1), 245-253.
- Andaleeb, S. S., & Basu, A. K. (1994). Technical complexity and consumer knowledge as moderators of service quality evaluation in the automobile service industry. *Journal of retailing*, 70(4), 367-381.
- Anderson, E. W., & Sullivan, M. W. (1993). The antecedents and consequences of customer satisfaction for firms. *Marketing science*, 12(2), 125-143.
- Bandyopadhyay, S., & Martell, M. (2007). Does attitudinal loyalty influence behavioral loyalty? A theoretical and empirical study. *Journal of retailing and consumer services*, 14(1), 35-44.
- Bebko, C. P. (2000). Service intangibility and its impact on consumer expectations of service quality. *Journal of services marketing*.
- Blery, E., Batistatos, N., Papastratou, E., Perifanos, I., Remoundaki, G., & Retsina, M. (2009). Service quality and customer retention in mobile telephony. *Journal of Targeting, Measurement and Analysis for Marketing*, 17(1), 27-37.
- El Saghier, N., & Nathan, D. (2013, April). Service quality dimensions and customers' satisfactions of banks in Egypt. In *Proceedings of 20th international business research conference* (Vol. 13).
- Elias, H. S., & Azhar, N. M. (2019). Effects of customer service quality dimension on customer satisfaction in Iraqi Banking Sector. *World Wide Journal of Multidisciplinary Research and Development*, 5(7), 21-28.

- Fida, B. A., Ahmed, U., Al-Balushi, Y., & Singh, D. (2020). Impact of service quality on customer loyalty and customer satisfaction in islamic banks in the Sultanate of Oman. *Sage Open*, *10*(2), 2158244020919517.
- Ha, J., & Jang, S. S. (2009). Perceived justice in service recovery and behavioral intentions: The role of relationship quality. *International Journal of Hospitality Management*, *28*(3), 319-327.
- Izogo, E. E., & Ogba, I. E. (2015). Service quality, customer satisfaction and loyalty in automobile repair services sector. *International Journal of Quality & Reliability Management*.
- Kant, R., & Jaiswal, D. (2017). The impact of perceived service quality dimensions on customer satisfaction: An empirical study on public sector banks in India. *International Journal of Bank Marketing*.
- Kaura, V., & Datta, S. K. (2012). Impact of Service Quality on Satisfaction in the Indian Banking Sector. *IUP Journal of Marketing Management*, *11*(3).
- Kaura, V., Prasad, C. S. D., & Sharma, S. (2015). Service quality, service convenience, price and fairness, customer loyalty, and the mediating role of customer satisfaction. *International journal of bank marketing*.
- Khan, M. M., & Fasih, M. (2014). Impact of service quality on customer satisfaction and customer loyalty: Evidence from banking sector. *Pakistan Journal of Commerce and Social Sciences (PJCSS)*, *8*(2), 331-354.
- Kotler, P., & Armstrong, G. (2010). *Principles of marketing*. Pearson education.
- Kotler, P., Wong, V., Saunders, J., & Armstrong, G. (2007). *Moderní marketing*. Grada publishing as.
- L Sondoh Jr, S., Wan Omar, M., Abdul Wahid, N., Ismail, I., & Harun, A. (2007). The effect of brand image on overall satisfaction and loyalty intention in the context of color cosmetic. *Asian Academy of Management Journal (AAMJ)*, *12*(1), 1-25.
- Lagat, C., & Uyoga, D. (2019). Relationship between customer responsiveness, service performance and satisfaction among airline passengers in Kenya. *Journal of Emerging Trends in Economics and Management Sciences*, *10*(2), 61-69.

- Leninkumar, V. (2017). The relationship between customer satisfaction and customer trust on customer loyalty. *International Journal of Academic Research in Business and Social Sciences*, 7(4), 450-465.
- Lewis, B. R., & Mitchell, V. W. (1990). Defining and measuring the quality of customer service. *Marketing intelligence & planning*.
- Mittal, B., & Lassar, W. M. (1996). The role of personalization in service encounters. *Journal of retailing*, 72(1), 95-109.
- Moghavvemi, S., Lee, S. T., & Lee, S. P. (2018). Perceived overall service quality and customer satisfaction: A comparative analysis between local and foreign banks in Malaysia. *International Journal of Bank Marketing*, 36(5), 908-930.
- Mollah, M. K., Nugroho, A., & Siroj, M. Z. (2021). Customer Satisfaction Analysis and Service Process Development Design on Self Service in Hidayatullah Store (Case Study: Pondok Pesantren Hidayatullah Surabaya). *Katalog Buku Karya Dosen ITATS, 1*, 152-171.
- Mostajer Haghghi, A., Baum, T., & Shafti, F. (2014). Dimensions of customer loyalty in hospitality micro-enterprises. *The Service Industries Journal*, 34(3), 251-273.
- Mukhtar, A., Iman, H., Ashiq, H., Amjad, R., & Nasar, H. (2014). Customer satisfaction towards financial services of banks: An empirical case study from Bahawalpur, Pakistan. *International SAMANM Journal of Marketing and Management*, 2(1), 94-111.
- Muslim, A., & Isa, Z. (2005). Islamic banking in Malaysia: An empirical analysis of service quality and customer satisfaction. In *Proceeding of Seminar Finance and Islamic Economics, University Utara Malaysia, Ogos* (pp. 29-30).
- Naeem, H., Akram, A., & Saif, M. I. (2009). Service Quality and its impact on Customer Satisfaction: An empirical evidence from the Pakistani banking sector. *International Business & Economics Research Journal (IBER)*, 8(12).
- Negash, G. E. (2021). Impact of service quality performance on customer satisfaction: A case of Oromia international Bank (OIB), Ambo Branch, West Shoa Zone, Oromia Regional State, Ethiopia. *African Journal of Marketing Management*, 13(1), 12-24.
- Ngo, V. M., & Nguyen, H. H. (2016). The relationship between service quality, customer satisfaction and customer loyalty: An investigation in Vietnamese retail banking sector. *Journal of competitiveness*.

- Oliver, R. L. (2000). Customer satisfaction with service. *Handbook of services marketing and management*, 247254.
- Panda, T. K., & Das, S. (2014). The role of tangibility in service quality and its impact on external customer satisfaction: A comparative study of hospital and hospitality sectors. *IUP Journal of Marketing Management*, 13(4).
- Parasuraman, A., Zeithaml, V. A., & Berry, L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *1988*, 64(1), 12-40.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1994). Reassessment of expectations as a comparison standard in measuring service quality: implications for further research. *Journal of marketing*, 58(1), 111-124.
- Preacher, K. J., & Hayes, A. F. (2008). Asymptotic and resampling strategies for assessing and comparing indirect effects in multiple mediator models. *Behavior research methods*, 40(3), 879-891.
- Ramachandran, A., & Chidambaram, V. (2012). A review of customer satisfaction towards service quality of banking sector. *Periodica Polytechnica Social and Management Sciences*, 20(2), 71-79.
- Spathis, C., & Ananiadis, J. (2004). The accounting system and resource allocation reform in a public university. *International Journal of Educational Management*.
- Walsh, G., Groth, M., & Wiedmann, K. P. (2005). An examination of consumers' motives to switch energy suppliers. *Journal of Marketing Management*, 21(3-4), 421-440.
- Yang, Z., & Fang, X. (2004). Online service quality dimensions and their relationships with satisfaction: A content analysis of customer reviews of securities brokerage services. *International journal of service industry management*.
- Zin, K. S. T. (2020). The influences of service quality dimensions, corporate image and customer satisfaction on customer loyalty towards a commercial bank in Myanmar. *University of the Thai Chamber of Commerce Journal Humanities and Social Sciences*, 40(3), 155-170.

**Survey Questionnaire**  
**Impact of Service Quality on Customer Satisfaction and Customer Loyalty of**  
**AYA Bank in Yangon**

**Dear Sir/ Madam,**

The objective of the study is to identify and analyze the " Impact of Service Quality on Customer Satisfaction and Customer Loyalty of AYA Bank in Yangon". It would be kind of you if you could please involve in the survey by answering the questions. The information you provided will be kept secretly and only use in the academic purpose. Thank for your sharing valuable time to filling out this questionnaire.

Ma Han Nwe San

MBF II- 17 (Day 2<sup>nd</sup> Batch)

**Section (A) Demographic Profile of Respondents**

1. Gender

- Male
- Female

2. Age

- 18-25
- 26-35
- 36-45
- 46-55
- About 55

3. Marital Status

- Unmarried
- Married

4. Please select your highest education level.

- Illiterate
- High school
- University Student
- University graduate degree
- Post graduate diploma
- Master degree
- Others (Please specify -----)

5. Please select your current employment status.

- Student
- Housewife/ Dependents
- Private employees
- Government employee
- Employees of NGO, INGOs
- Business owner
- Self-employee
- Freelance Professional / Technician / Consultant
- Other. Please state that .....

6. Monthly income level?

- Less than 100,000 Kyat
- 100,001 Kyat to 300,000 Kyat
- 300,001 Kyat to 500,000 Kyat
- 500,001 Kyat to 700,000 Kyat
- 700,001 Kyat to 1,000,000 Kyat
- Above 1,000,000 Kyat

7. How long have you been using services of AYA Bank?

- Less than 1 year
- 1 to 3 years
- 4 to 5 years
- Above 5 years

8. Do you have any other bank account?

- KBZ
- CB
- MAB
- UAB
- AGD
- Yoma
- MCB
- Others (Please specify -----)

9. How are you motivated to open a bank account?

- Self-motivated
- Advertisement
- Friends
- Business owner
- Other (Please specify -----)

**Section (B) Bank Customers' options in the extent to which AYA Bank's offers Service Quality. Please give your answer in the space provided and tick (√).**

1 = Strongly disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly agree

**Tangibility**

<b>Sr. No</b>	<b>Tangibility</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Bank has modern equipment					
2	Physical facilities are visually appealing					
3	Employees appear neat and professional					
4	Materials associated with service visually appealing					
5	The appearance of banks physical facilities, equipment, personnel and communication materials					
6	The bank is equipped with good facilities, a spacious building, and well arranged					
7	Customers can wait in a comfortable and spacious lobby.					
8	There is sufficient space available at the bank for customers' car parking.					
9	Bank has modern equipment					

## Reliability

Sr. No	Reliability	1	2	3	4	5
1	When staff promise something by certain time, it was delivered					
2	The bank staff delivers the service with promptness and as promised					
3	The bank offers services that are accurate and timely the first time.					
4	The bank has provided up-to-date and complete records, including printed passbooks and bank statements.					
5	The bank is physically secured with monitoring devices such as CCTV cameras					
6	Staff provide assistance and support for electronic banking and ATM card services.					
7	Updated information and technology on bank website					
8	The bank ensures customers' transactions and record are kept with confidentiality					
9	There was no misuse of the personal data.					

### Responsiveness

Sr. No	Responsiveness	1	2	3	4	5
1	Employees assure customers that services will be delivered precisely on time.					
2	Staff gives prompt services					
3	Staff are always willing to help customers' need					
4	Staff is never too busy and quick respond to any complaints the customers					
5	The bank can attend to customer complaints even after working hours through call center services					
6	Employees are knowledgeable and skillful.					
7	Employees possess good manners.					
8	The bank operates in good faith and without regard to the customer's best interests.					

### Empathy

Sr. No	Empathy	1	2	3	4	5
1	The staff show individualized and personalized special attention to customers.					
2	The bank opens at convenient operating hours for their customers.					
3	Bank treats its customers with care and respect.					
4	Bank has customers' best interest at heart					
5	Bank staff understands specific needs of customers					
6	Bank provides convenience atmosphere inside the building.					
7	Bank employees behave towards customers with warmth and friendliness.					

### Assurance

Sr. No	Assurance	1	2	3	4	5
1	Bank staff behavior instills confidence in customers.					
2	Customers feel safe and secure while doing their transactions with AYA bank.					
3	Bank staff are very cooperative and courteous with customers.					
4	Bank staff are knowledgeable enough to answer customers' queries.					
5	Customers have high confidence levels in employees.					
6	Knowledge and courtesy displayed by the employees install trust and confidence in customers.					
7	Security of credit and debit card information and AYA mobile banking/I banking financial transactions					

### Section (C) Customer Satisfaction

Sr. No	Customer Satisfaction	1	2	3	4	5
1	I am satisfied with office decoration					
2	I am satisfied with the employees' cooperation					
3	This bank can meet my expectations better					
4	I am satisfied with the performance of this bank					
5	I have no complain against this bank					
6	The financial products and services are at the desirable level.					
7	The financial products and services are met my expectation.					

**Section (D) Customer Loyalty**

<b>Sr. No</b>	<b>Customer Loyalty</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	I will continuously use this bank.					
2	I will introduce this bank to others.					
3	The services provided by this bank are excellent.					
4	I am impressed with this bank's services.					
5	I'll recommend other people to use this bank.					
6	I have a positive impression of this bank's branches throughout Myanmar.					

**Thank you.**

## APPENDIX – II

### SPSS 22 Outputs

#### Reliability Statistics

	Cronbach's Alpha	N of Items
Reliability	.901	9

#### Reliability Statistics

	Cronbach's Alpha	N of Items
Responsiveness	.910	8

#### Reliability Statistics

	Cronbach's Alpha	N of Items
Empathy	.906	7

#### Reliability Statistics

	Cronbach's Alpha	N of Items
Assurance	.924	7

#### Reliability Statistics

	Cronbach's Alpha	N of Items
Customer Satisfaction	.926	7

#### Reliability Statistics

	Cronbach's Alpha	N of Items
Customer Loyalty	.917	6

## Pearson Correlation Analysis

Descriptive Statistics								
	Mean	Std. Deviation	N					
CustomerSatisfaction	3.497	0.508	194					
Tangible	3.526	0.480	194					
Reliable	3.572	0.457	194					
Responsiveness	3.515	0.491	194					
Empathy	3.506	0.503	194					
Assurance	3.571	0.491	194					

Correlations							
		CustomerSatisfaction	Tangible	Reliable	Responsiveness	Empathy	Assurance
CustomerSatisfaction	Pearson Correlation	1	.757**	.770**	.760**	.850**	.856**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	194	194	194	194	194	194
Tangible	Pearson Correlation	.757**	1	.738**	.678**	.680**	.683**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	194	194	194	194	194	194
Reliable	Pearson Correlation	.770**	.738**	1	.864**	.794**	.808**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	194	194	194	194	194	194
Responsiveness	Pearson Correlation	.760**	.678**	.864**	1	.819**	.835**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	194	194	194	194	194	194
Empathy	Pearson Correlation	.850**	.680**	.794**	.819**	1	.867**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	194	194	194	194	194	194
Assurance	Pearson Correlation	.856**	.683**	.808**	.835**	.867**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	194	194	194	194	194	194

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## Effect of Service Quality on Customer Satisfaction

### Effect of Customer Satisfaction on Customer Loyalty

#### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.867 <sup>a</sup>	.751	.750	0.247	2.425

a. Predictors: (Constant), Customer-Satisfaction

b. Dependent Variable: Customer Loyalty

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.430	1	35.430	579.325	.000 <sup>b</sup>
	Residual	11.742	192	.061		
	Total	47.172	193			

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Customer-Satisfaction

#### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.604	.124		4.876	.000		
Customer Satisfaction	.843	.035	.867	24.069	.000	1.000	1.000

a. Dependent Variable: Customer Loyalty