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**CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES,  
CUSTOMER SATISFACTION AND CUSTOMER LOYALTY  
OF KB MICROFINANCE MYANMAR**

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**CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES,  
CUSTOMER SATISFACTION AND CUSTOMER LOYALTY  
OF KB MICROFINANCE MYANMAR**

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Executive Master of Banking and Finance (EMBF)

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## **ABSTRACT**

This research examines how CRM practices affect customer satisfaction and loyalty to KB Microfinance Myanmar. Use descriptive and quantitative research methods. Uses primary and secondary data. CRM practises include customer focus, technology orientation, reliability, employee behaviour, and knowledge management in this study. There are 80,000 active key customers who take loans from KB Microfinance Myanmar. By calculating Yamane (1973) sample size formula, 398 active customers are selected by simple random sampling method. Regression analysis is applied to find out the relationship between independent and dependent variables. The study found that all CRM practices (key customer focus, technology orientation, reliability, behavior of employees and knowledge of management) have positive and significant effect on customer satisfaction. Regression result indicates that knowledge management is the most effective factor on the satisfaction of KB Microfinance Myanmar. It is also found that customer satisfaction has positive and significant effect on customer loyalty. Based on the result of findings, KB Microfinance Myanmar should continue implementing knowledge management of CRM. It should also consider incorporating knowledge management in every aspect of business. KB Microfinance Myanmar should offer more repayment channels or options, and provide clear and transparent online loan processing. Finally, KB Microfinance Myanmar should regularly provide customer service training to get more customer satisfaction and loyalty.

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# CHAPTER 1

## INTRODUCTION

Due to the introduction of new regulations, shifts in consumer behavior, growing use of information and communication technology, and fierce competition, the financial services sector is characterized by a high degree of volatility and instability as of this writing (Heinonen, 2014). The financial sector has a big impact on how a country and the world as a whole develop. The financial services industry drives an economy. It provides unrestricted capital and liquidity flow to the market.

A nation's economic development greatly depends on the microfinance sector, which is especially important for promoting financial inclusion and empowering underprivileged groups. Assefa et al. (2013) defined a microfinance institution as a financial institution that offers loans to impoverished business owners who, in the majority of cases, lack access to traditional financial institutions such as banks, particularly in developing countries. Microfinance institutions help to reduce poverty and promote community development by offering small-scale financial services, like savings accounts and microloans, to people without access to traditional banking.

In today's microfinance environment, the client is at the core of all that the microfinance institution (MFI) does. Consumers are essential to a business' success and are prioritized in marketing campaigns according to their significance (Karakostas et al., 2005). In order to gain a competitive edge, organizations strive to differentiate themselves from their diverse customer base by utilizing customer-oriented marketing strategies. Customers anticipate receiving detailed, delightful service satisfaction and unique products at the counters, along with immediate personalized and private services. This was difficult to accomplish in the earlier banking era, but technologically, creatively, and innovatively, the microfinance industry has advanced greatly.

It is vital for businesses to keep their current clientele while actively seeking out new ones in this cutthroat world of rapidly advancing technology (Pan, 2005). In order to achieve their objectives in a competitive market, organizations strive to satisfy their customers in a more efficient and effective manner than their competitors. According to its strategies, events, and procedures, the business must place the customer at the center of its operations. Employees at financial institutions should be more customer-focused and

service-oriented in order to satisfy their customers, as these institutions are establishing strategies to ensure customer satisfaction and retention.

Customer relationship management, or CRM, is a strategy used to forge stronger bonds with clients and gain a deeper understanding of their needs and behaviors. (Mandic, 2011). Duygu and Sevcan (2012) define customer relationship management as an approach that uses technology to help businesses become more profitable and productive by fostering long-term relationships with their customers. Customer relationship management, or CRM, is a strategy used to understand customers' needs and behaviors and to build stronger relationships with them.

Duygu and Sevcan (2012) define customer relationship management as a strategy that uses technology to help businesses build lasting relationships with their clients in order to boost productivity and profitability. Customer relationship management, or CRM, is a concept that helps businesses manage their interactions with clients, customers, and potential customers in order to meet goals like customer satisfaction that are important to financial institutions. It entails the synchronization, automation, and organization of business processes through technology (Azzam, 2014). CRM is essentially a consumer-data-heavy business. CRM is centered around an organization's ability to use customer data to plan and implement customer-focused strategies in a creative, effective, and efficient manner.

Putting the needs, preferences, and wants of the customer first is the fundamental component of customer focus. It is also a marketing strategy that centers the development of goods and services around important customer preferences (Hansotia, 2002). These days, technology orientation covers CRM technology, which can be any technology aimed at improving customer service and managing relationships. Furthermore, clients desire dependable service to the degree that banks live up to their expectations by giving them pertinent information, communicating with them effectively, and working cooperatively with them (Padmavathy & Sivakumar, 2017).

Long et al. (2013) state that in order to satisfy customers, a business must concentrate on two areas. They are relationship development and employee behavior. Workers are expected to treat customers with not only deference and civility, but also, and perhaps most importantly, with product knowledge and communication skills that facilitate

the development of a positive customer relationship. It will be simple to have happy customers if this can be accomplished. The process of generating, sharing, utilizing, and preserving customer knowledge and information inside an organization is also known as knowledge management.

South Korean banking giant KB Financial Group opened KB Microfinance Myanmar in 2017. KB Myanmar is the first microfinance company to collaborate with the Myanmar government and NGOs to provide housing improvement and new construction funds to the low-income class with poor residential environments in Myanmar. KB Myanmar is 100 percent foreign invested microfinance. There are 23 Branches across the country. Currently, KB Microfinance Myanmar offers general loan, staff loan, housing loan, electric loan, firming loan, and oversea loan. In recent years, the microfinance sector has evolved beyond conventional financial services, emphasizing the importance of building strong relationships with clients. CRM practices is very important role in this paradigm shift, guiding institutions like KB Microfinance in tailoring their services to the unique needs of their clients. Through the study of CRM practices employed by KB Microfinance, this study aims to uncover the key elements of CRM that contribute to customer satisfaction, examining the subsequent influence on customer loyalty.

## **1.1 Rationale of the Study**

Microfinance institutions (MFIs) play a crucial role in Myanmar economic development, particularly in addressing financial inclusion and alleviating poverty. Myanmar has a significant portion of its population residing in rural and remote areas with limited access to formal banking services. MFIs bridge this gap by providing financial services, including microloans and savings products, to individuals who are often excluded from traditional banking. Microfinance institutions often operate at the community level, fostering a sense of community development. They provide financial education, encourage responsible financial behavior, and contribute to the overall social and economic development of communities in Myanmar.

In order to encourage financial inclusion and reduce poverty in Myanmar, microfinance is frequently cited as a crucial development instrument. In 1997, the UNDP Human Development Initiative introduced microfinance to Myanmar, despite the fact that

the nation has had cooperatives since the early 20th century. The new Microfinance Law was passed by the government in November 2011, allowing both foreign and domestic investors to establish fully private MFIs in the country and promoting the expansion of microfinance services. This law also established a legal basis for those pre-existing microfinance providers.

. The Financial Regulatory Department (FRD) oversees and regulates the microfinance industry, and the country's MFIs' operations and expansion are impacted by its policies. The microfinance sector has been growing, and both local and foreign institutions play a crucial role in providing financial services to the underserved population.

In Myanmar 2023, as an organization has been allowed to operate microfinance until July, there are 55 foreign companies, 116 local companies, and 8 partnership companies. There are 179 groups and 266 townships in 15 regions and states. A total of 2,309 wards. Providing services to 3.6 million members in 27,722 villages (FRD Report, 2024).

The competition among MFIs in Myanmar is multifaceted and influenced by the ability of institutions to navigate regulatory requirements, differentiate their offerings, leverage technology, and build strong relationships with clients and communities. The sector evolution and changes in the economic and regulatory landscape continue to shape the competitive dynamics in Myanmar microfinance industry.

Customer relationship management, or CRM, has grown to be crucial to the success of many businesses as a means of establishing and preserving long-lasting connections with lucrative clients. CRM emerges as the primary instrument used by financial institutions to please and keep their clients. Understanding how customers feel about the effectiveness of the implemented activities and how this has impacted their level of satisfaction is crucial for the success of CRM initiatives. By using CRM, businesses can improve their understanding of their customers, personalize experiences, increase productivity, improve communication, and make more informed decisions. Ultimately, these components lead to increased levels of customer satisfaction and loyalty.

CRM procedures are required to guarantee better customer value delivery, customer retention, and positive customer relationships. A customer-focused bank constantly strives to understand its customers' desires, preferences, and pain points to deliver superior experiences and services by advanced technologies like CRM. If the bank does not focus

needs and preferences of customers, they cannot deliver the satisfactory services to customers. By organizing information about their consumers, banks gain a comprehensive view of customer interactions, needs, and wants, and preferences. CRM help in organizing all customer data, communicating with them and providing them with the best service possible. By using CRM, banks can deliver consistent and reliable services to customers by referring customer data. On the other hand, if the data are not useful, the bank cannot give reliable and consistent service to customers and customers will switch to other banks. Moreover, behavior of employees are important in the service industry since they are service persons who need to interact with customers. If the behavior of employees is not appropriate, customers will not use that service in the future. Knowledge management guarantees a quicker, more seamless, and more consistent experience for customers by guaranteeing quick access to accurate information, cutting down on response times, and upholding consistency in interactions. Therefore, CRM practices is important to achieve customer satisfaction.

Understanding the distinct CRM strategies employed by KB Microfinance and their impact on customer outcomes could be an unexplored area. The study provides an in-depth exploration of the specific CRM practices employed by KB Microfinance. The study findings will support for strategic decision-making within KB Microfinance. Understanding these practices is crucial not only for KB Microfinance but also for other institutions looking to optimize their customer relationship management strategies in the microfinance sector. This study examines the effect of CRM practices employed by KB Microfinance for enhancing customer satisfaction levels and cultivating sustained customer loyalty.

## **1.2 Objectives of the Study**

The main objectives of this study are as follow

- (1) To examine the effect of CRM Practices on customer satisfaction towards KB Microfinance Myanmar.
- (2) To analyze the effect of customer satisfaction on customer loyalty towards KB Microfinance Myanmar.

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

The primary focus of this study is how KB Microfinance Myanmar's customer satisfaction and customer loyalty are affected by its CRM practices. The research methodology is quantitative. There is use of both primary and secondary data. KB Microfinance Myanmar has 80,000 active key customers who use its loans. The sample size by Yamane (1973) is 398. Using a simple random sampling technique, 398 out of 80,000 are chosen. A structured questionnaire with a 5-point Likert scale is used to collect primary data. Examples of secondary data include reports from KB Microfinance Myanmar, relevant textbooks, past research studies, and online sources. Utilizing multiple regression analysis, the survey data is examined.

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

This research is divided into five chapters. Chapter 1 of the introduction contains the justification, goals, scope, methodology, and organizational structure of the study. Chapter 2 covers the conceptual framework of the study, previous research, and the theoretical foundations of customer relationship management (CRM). Chapter 3 presents the customer relationship management and profile of KB Microfinance Myanmar. Chapter 4 presents an analysis of how CRM practices affect customer satisfaction and loyalty at KB Microfinance Myanmar. Chapter five concludes by discussing the conclusions and discussions, along with the need for further research.

## **CHAPTER 2**

### **THEORETICAL BACKGROUND**

The theoretical background for the customer relationship management concept, practices, and model is given in this chapter. It also goes over the conceptual framework of the study and previous research.

#### **2.1 Concept of Customer Relationship Management**

Customer relationship management, according to Faed (2013), is the skill of obtaining clients and developing enduring relationships with them. CRM uses a mix of people, procedures, and technology to help a business identify and acquire customers. It strengthens the relationship and concentrates on keeping customers. In order to reap the complete benefits of CRM implementation, businesses must have effective CRM programs in place to maintain customer loyalty. Faed (2013) went on to say that competent management is required to maintain appropriate relationships with customers.

Sani and Chalasani (2012) define customer relationship management as an integrated effort to maintain, grow, and identify a network with specific customers and to strengthen the mutual benefit of both parties through interaction and contracts that are tailored to their needs over a predetermined period of time. According to Jarad et al. (2011), personal customer relationship management accounts entail marketing strategies aimed at fostering robust and enduring relationships with individual accounts.

Sheth et al. (2012) describe it as a marketing database approach perspective that links database efforts with the promotional area. Customer relationship management is primarily focused on keeping customers, taking into account various marketing strategies that support ongoing customer development even after sales are completed (Vavra, 1992). Utilizing one-on-one interactions and associations with customers while combining database growth strategy with long-term customer retention is a common approach made possible by information technology (Peppers and Rogers, 2011).

According to Giannakis and Boutsouki (2014), it is the fusion of technology and business procedures that aims to comprehend a company's clientele from the perspectives

of who they are, what they do, and how they behave. To summarize, customer relationship management is defined in the work as a process that involves creating strategic plans, selling, directing, coordinating activities, organizing, and establishing control to improve the creation and appropriate implementation of a long-lasting relationship between a business and its valued clients in an effort to increase their patronage and loyalty. Customer relationship management is a learning experience about customer behavior. With customer relationship management, enterprises aim to get, keep and grow their customer base Pan (2005).

## **2.2 CRM Practices**

Growing acceptance of the effective use of customer relationship management (CRM) techniques is occurring in marketing and sales departments of manufacturing companies. Furthermore, building relationships with customers has always been crucial to business (Mohamad et al., 2014). According to Jarad et al. (2011), using CRM practices in marketing performance will improve customer satisfaction by increasing customer loyalty and retention. In this study, CRM practices refer key customer focus, technology orientation, reliability, behaviors of employees and knowledge management.

### **2.2.1 Key Customer Focus**

"Customer focus" refers to the way managers see using CRM to create competitive value for customers. This course covers understanding customer requirements, expectations, feedback, communications, and customer-focused matrices. Important elements of this dimension include customer-centric marketing, determining the critical customer lifetime value, personalization, and interactive co-creation marketing (Giannakis & Boutsouki, 2014).

Key customer focus was defined by Payne and Frow (2005) as a combination of customer needs assessment, product customization, dialogue with customers about meeting their needs, and application of customer needs information. Additionally, he mentioned that a customer-needs driven CRM strategy consists of two steps: first, gathering information about customer needs; and second, creating customized programs to address those needs.

As a result, businesses should create CRM strategies as part of their CRM practices that can benefit important clients in both financial and non-financial ways.

Sheth et al. (2010) defined key customer focus as a confluence of product customization, customer needs assessment, customer needs dialogue, and application of customer needs information. He also said that a customer-needs driven CRM strategy entails two steps: obtaining data regarding the needs of the customer and developing tailored programs to meet those needs. A customer-focused structure, culture, policy, and reward system are essential for any business looking to successfully implement CRM. This entails having a general customer-centric focus and consistently providing key customers with offerings that are personalized or customized, resulting in superior value. Customers' interests should always come first, according to marketing theory, and various academics believe that this is the most important component of customer relationships.

Because customer-focused marketing encourages businesses to look forward, it is likely that these businesses are more interested in long-term business success than in short-term profits. Key customers are those for whom the company has information that can be used to identify and get in touch with them. Key clients also include those who have been identified as adding greater value to the business through increased revenue, engaged long-term partnerships, and strong leadership (Akroush et al., 2011).

According to Kotler and Armstrong (2004), a company-wide awareness of and support for critical customer focus is what drives sales force motivation to develop long-term customer relationships through more individualized services. For an organization to be truly customer focused, one of the most important requirements is the way in which it offers value to its customers. The ultimate goal of key customer focus is to establish deep customer relationships that render the seller organization indispensable to its most lucrative clients (Vandermerwe, 2004). It's crucial to first and foremost establish that promoting customer loyalty and elevating long-term customer satisfaction are the main objectives of customer-oriented behaviors. Customer focus is the capacity of an organization to effectively and efficiently concentrate on the tasks that enhance customers' experiences with its goods and services. By concentrating on the needs of their clients, businesses can raise the value that they provide. This usually means getting a firm understanding of the different clientele groups, keeping your word, and delivering excellent work at fair rates. It

can also mean knowing how to market and price the right products and services to the right customers at the right time (Aberra, 2020).

### **2.2.2 Technology Orientation**

Comprehensive customer data is necessary for CRM operation. CRM technology, according to Abbott et al. (2001), is one of the organizational resources that enters the CRM process and is meant to improve businesses' capacity to develop and sustain a portfolio of customer relationships profitably. As a result, technology contributes significantly to firm intelligence in CRM.

The technology orientation dimension looks at how well banks run using modern technologies like automated teller machines (ATMs), online banking, and mobile banking. Information systems and information technology have a big impact on how CRM develops. (Lee, 2014). CRM technology makes it possible to gather data about customers from a variety of points of contact, allowing for the delivery of tailored services that optimize customer value. As a result, technology plays a significant part in CRM by increasing firm intelligence. Sophisticated customer information is essential to CRM functionality. CRM technology improves relational efforts and streamlines customer information processes (Chang et al., 2010).

Actually, developments in information technology have made it possible to collect, assess, and disseminate customer data, which will boost client happiness and eventually result in client retention. The CRM demands information-intensive strategies that make use of computer technologies to create connections. These strategies, which enable the companies to provide greater customization, better quality, and lower costs, include CRM software systems, data warehouses, data mining, and computer-aided design and manufacturing. It also makes it easier for employees to provide superior customer service at all points of contact. Therefore, without the use of appropriate technology, many customer-centric activities would be impossible, as noted by Abbott et al. (2001).

CRM is a product of organization marketing approach integration and continuous technology advancement, claim Bowen and Chen (2001). By collecting and analyzing data on customer trends, interpreting customer behavior, developing predictive models, responding with timely and effective customized communications, and offering value-

added goods and services to particular customers, CRM applications maximize technology advancements. Chen and Popovich (2003). CRM technology is used by businesses specifically to build and maintain stronger client relationships (Kim et al., 2015).

The quick development of communication technology has had a significant impact on how businesses and their clients manage their relationships (Bauer et al., 2012). According to Kim et al. (2015), merely implementing CRM technology does not guarantee that the company will profit from it in the same way, even though it does improve overall performance. CRM technology therefore helps companies and their sales representatives collect, analyze, and share data for improved sales presentations, prospecting, and communication as well as for creating unique product configurations.

### **2.2.3 Reliability**

One of the most prevalent elements of CRM is dependability. Consumers can assess the banks' service offerings based on their ability to maintain reliable service and consistent service standards. Reliability is the extent to which banks accurately and consistently deliver the services they have promised to their customers. According to Zineldin (2005), one of the prerequisites for banks to provide better customer value than rivals and, as a result, meet the needs and expectations of their clients is reliability. CRM helps businesses keep their promises to customers by giving them relevant information, communicating with them effectively, and reaching out to them cooperatively, claim Padmavathy and Sivakumar (2017).

Customers expect businesses to anticipate their needs and consistently deliver service that exceeds their expectations, according to Chen and Popovich (2003). Customers stay faithful to the business for extended periods of time in exchange. They added that businesses with larger and more effective facilities could meet consumer demands with standardized products, which resulted in increased productivity and decreased expenses.

CRM applications, according to Mithas et al. (2005), assist companies in managing customer accounts over time and processing orders and requests from customers more rapidly and accurately, thereby improving the dependability of consumption experiences. According to Iriqat and Daqar (2017), CRM activities always seek to exceed customer expectations and provide better customer service, which isn't always possible without dependability. The capacity to perform a task precisely and consistently is known as reliability.

#### **2.2.4 Behavior of Employees**

Employee behaviors are the various action sequences that they perform while working for the organization (Hanna et al., 2004). An employee who supports organizational values and behavior is likely to improve relationships between the company and its customers. It is anticipated that when an employee behaves in a particular manner, the results will be the opposite. In these circumstances, a customer's perception of the business may be negatively impacted if they feel the company is not offering the symbolic benefits they had expected. Stated differently, under circumstances such as the ones outlined above, an employee is probably going to have a big impact on the company's perceptions and attitudes (Coulter, 2002).

Positive employee behavior, according to Hanley (2008), may have the effect of quickening employee response times to customers and ensuring that staff members treat them with courtesy and friendliness, all of which raise client satisfaction with the rendered services. Certain behaviors are constructive and pertain to the actions that employees take on behalf of the company, other employees, and customers (Bowen and Shoemaker, 1998). On the other hand, some behaviors are negative and have the potential to ruin a productive work environment.

The behaviors of employees hold significant value in a service company as they serve as a conduit between the organization and its clientele, and they play a pivotal role in fostering productive working relationships with them (Grönroos, 1990). According to Jones and Dent (1994), an employee's smile always benefits the business because it affects customer satisfaction. Employee friendliness is defined as showing consideration, familiarity, responsiveness, helpfulness, and understanding in the pursuit of providing high-quality service and even fostering relationships. Sparks (1994). Additionally, Kong and Jogaratnam (2007) verified that politeness and employee personalization are important factors in customer satisfaction.

### **2.2.5 Knowledge Management**

Through knowledge management, businesses can gather, organize, process, and distribute implicit and explicit data to internal and external users (Sin, et al., 2005). According to Lee (2014), an organization cannot be deemed knowledgeable until all of its data has been carefully analyzed and expertly applied to the execution of sane strategic decisions and actions. A key factor in assisting companies in making strategic managerial decisions that will enhance their performance is customer knowledge management, which is strongly related to marketing competencies (Fan & Ku, 2009). To increase customer profitability, data about customers should be acquired through interactions or touchpoints with all departments or divisions within the company.

Knowledge management fosters the creation, enhancement, and use of workers' knowledge of how to interpret data and information (using available sources of information, experience, expertise, culture, character, personality, feelings, etc.) in order to accomplish organizational objectives. In 2010—Moreno et al. Effective CRM, according to Yim et al. (2004), is centered on converting customer data into customer knowledge. In order to satisfy customers' present and future needs, the customer knowledge created by this process must be shared and distributed throughout the organization. Salespeople can then carefully modify marketing packages to match the unique needs of each customer thanks to a wealth of valuable consumer information at their disposal.

Stronger client relationships, which have a positive effect on an organization's efficiency and performance as well as customer satisfaction, loyalty, and retention, are some of the ways that customer knowledge and feedback management helps a business succeed (Alrubaiee et al., 2015). Thus, in order for businesses to stay competitive, they must find new ways to learn about their clients, apply what they already know, and share that knowledge throughout the company. Furthermore, as noted by Fan and Ku (2009), customer knowledge management is closely linked to marketing capabilities and greatly facilitates the ability of organizations to make strategic managerial decisions that will improve their performance.

### **2.3 Customer Satisfaction**

According to Nashing and Hassan (2017), customer satisfaction is the degree of contentment at which the needs, desires, and expectations of the customer are fulfilled throughout the product/service period, resulting in customer loyalty and repurchasing. According to Santouridis and Veraki (2017), customer satisfaction is the reaction of the customer to the difference between their perceived actual performance following usage and their prior level of importance.

Kotler (2000) defined satisfaction as a person's subjective experience of happiness or dissatisfaction brought on by contrasting the quality of a good or service they have received with their expectations. The performance of the offering in comparison to the customer's expectations determines whether or not customers are happy after making a purchase. Expectations and perceived performance both influence satisfaction. Consumer expectations are shaped by promises or marketing material from the business and its rivals, recommendations from friends and colleagues, and past purchasing experiences. Since consumer behavior is illogical, it can be challenging to identify and satisfy customer wants, preferences, and behaviors. Moreover, understanding consumer behavior does not ensure success in the marketplace. The majority of businesses base their market presence on the quantity of happy clients they have (Nashwan & Hassan, 2017).

These days, it's common knowledge that marketing continuously considers consumer needs as a foundational premise for creating a strategy that will work and satisfy the customer. Remember that needs are a social construct that is always changing and are seldom satisfied. In order to realize the company's overall strategy, sustainability, and growth, marketers help create the category of a loyal customer by establishing an effective strategy based on qualitative knowledge (Ilieska, 2013).

Every company understands the value of happy customers because they generate word-of-mouth referrals, which are essentially free advertisements for their brand. These days, an organization's goal is not only to satisfy customers, but also to thrive in the marketplace in order to meet its objectives. Utilizing a CRM system is thought to be crucial since it can significantly close the communication gap between the company and its clients, improving client satisfaction, service quality, knowledge collection, and organizational learning. (Santouridis & Veraki, 2017).

From the perspective of the customer, satisfaction is crucial because it indicates a successful outcome from the use of limited resources and the meeting of unmet needs (Bearden and Teel, 1983). If the service meets or surpasses the expectations of the client, they will be happy. Customers will feel unsatisfied if they believe the service is not up to the minimal standard that they can expect (Zairi, 2000). Yim et al. (2004) state that a company's primary objective is to create happy customers. Achieving customer satisfaction has multiple advantages, such as positive word-of-mouth recommendations for the business, stable relationships between the company and its customers, and the establishment of a strong basis for customer loyalty and repeat business.

## **2.4 Customer Loyalty**

According to Oliver (1997), loyalty is the fervent desire to regularly use or purchase a favored good or service in the future, despite the possibility of behavioral switching brought on by external factors and marketing campaigns. According to Dick and Basu (1994), customer loyalty is the long-term dedication to making repeat purchases of a good or service while maintaining a positive attitude. Customer loyalty is the cornerstone of relationship marketing, according to McIlroy and Barnett (2000), as keeping customers for the duration of their lives will boost profitability. According to Beerli et al. (2004), retaining an existing customer base comes at a cheaper cost than bringing in new ones. Customer loyalty pertains to the extent to which a customer has demonstrated, in the past few years, a tendency to repurchase a specific company service, as well as the importance of that purchase in relation to the customer's overall expenditure on that specific service (Bowen and Chen, 2001).

According to Inamullah (2012), the willingness of customers to continue making profitable purchases from a specific company and to purchase the same products is another definition of customer loyalty. According to Duffy (2003), a positive perception or sentiment that consumers have about a brand is known as customer loyalty. Within the realm of business, loyalty refers to a customer's dedication to a specific company as demonstrated by their frequent purchases and referrals of their goods and services to friends and associates. According to Oliver (1997), customer loyalty is the strong resolve to continuously purchase or use a favored good or service in the future, even in the face of external factors and marketing campaigns that may encourage behavior changes. According

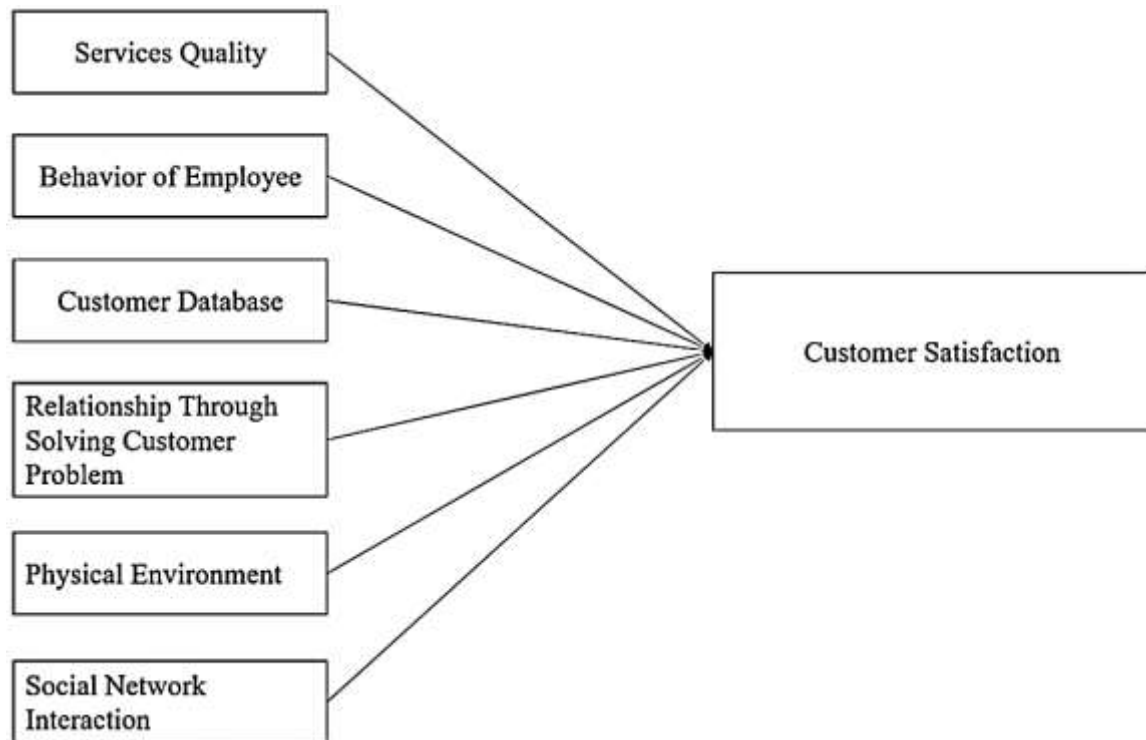
to Keller (1993), repeat purchasing behavior that reflects positive attitudes toward the brand indicates the presence of loyalty.

According to Reichheld and Teal (1996), a company can reap significant advantages from having devoted customers. These benefits include uninterrupted profit flow, lower operating and marketing expenses, heightened immunity, and referrals towards competitors' promotional campaigns. Customer loyalty was examined by Lin and Wang (2006) as a significant and crucial competitive advantage in the current market conditions. A customer that is loyal to a service provider is one who, whenever feasible, makes additional purchases from them and who either stays positive in their opinions or continues to recommend them. Reichheld and Sasser (1990) found that compared to similar non-loyal customers, loyal customers make more purchases and are less likely to switch due to price.

## **2.5 Previous Studies**

Azzam (2014) investigated the impact of customer relationship management on customer satisfaction in the Jordanian banking industry. The study's participants were Jordanian bank customers in Amman, the nation's capital. 528 respondents were chosen by convenient sampling, and the data was collected using questionnaires that the researcher self-administered. Figure (2.1) displays the conceptual framework proposed by Azzam (2014).

**Figure (2.1) Conceptual Framework of The Impact of Customer Relationship Management on Customer Satisfaction in the Banking Industry**

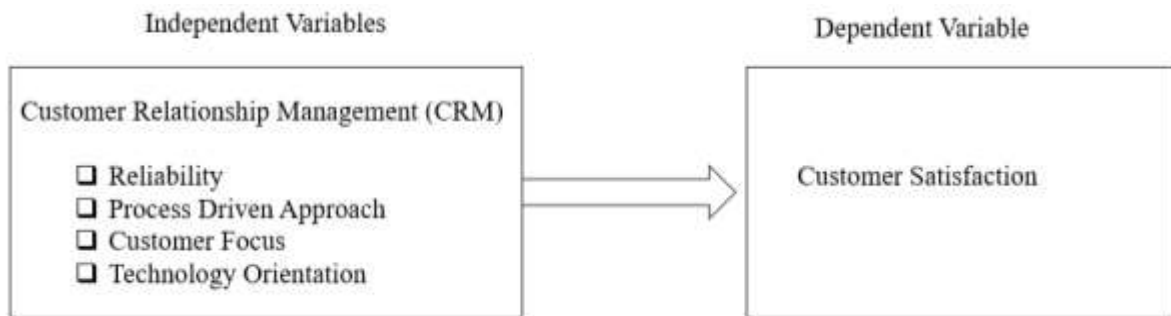


Source: Azzam (2014)

Azzam (2014) discovered a strong relationship between the independent variables (i.e., CRM elements represented by service quality, employee behavior, customer data base, solving customer problems, physical environment, and social network interaction) and customer satisfaction as the dependent variable in the services banking sector.

Aberra (2020) used United Bank S.C. as an example to examine the relationship between customer relationship management and customer satisfaction. He used both a descriptive and explanatory research design to accomplish the study's objectives. The researcher used a practical sampling technique to get a representative sample from the populations. Aberra (2020) conducted a study with the overall goal of providing insight into how customers perceive CRM implementation and its effect on customer satisfaction. The purpose of the study was to help the bank identify gaps between customers' needs and the current customer relationship activity of the bank and dimensions which contribute to customer satisfaction. The Aberra (2020) study used a quantitative research approach, but it also considered a cross-sectional research survey and a descriptive research design to meet its objectives. A total of 357 of the 394 surveys that were sent out to collect data were returned. Figure (2.2) displays the Aberra (2020) conceptual framework.

**Figure (2.2) Conceptual Framework of The Effect of Customer Relationship Management on Customer Satisfaction**

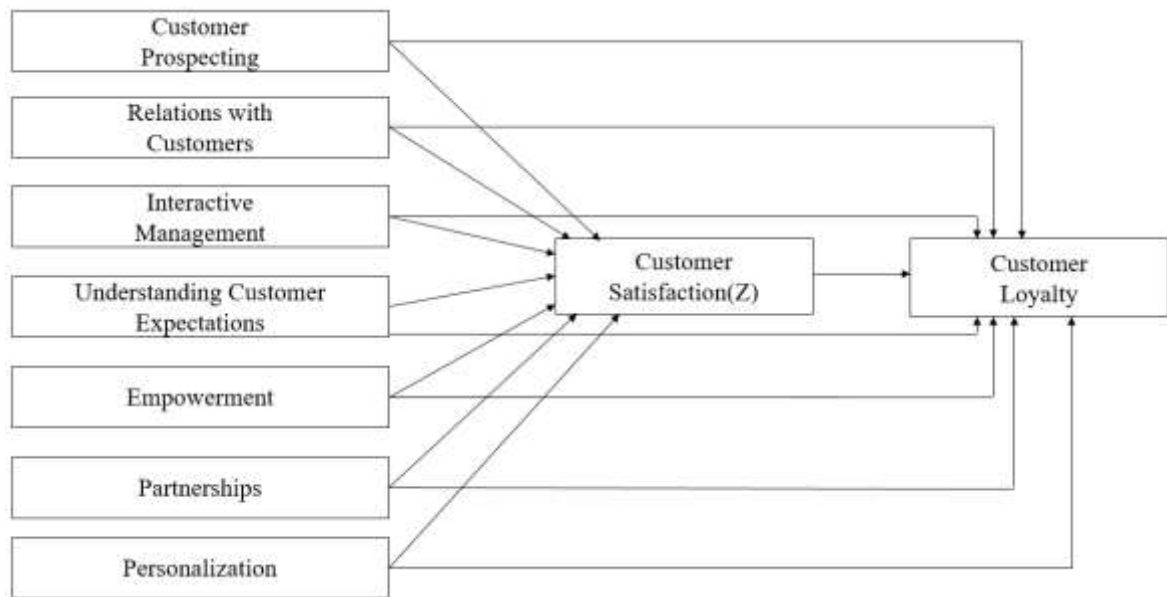


Source: Aberra (2020)

Four independent variables—reliability, process-driven approach, customer focus, and technology orientation—were examined by Aberra (2020). Aberra (2020) discovered that customer satisfaction is positively and significantly impacted by customer relationship management, which is comprised of four behavioral components.

The impact of customer prospecting, customer relations, interactive management, understanding customer expectations, empowerment, partnerships, and personalization on customer satisfaction and its relationship to customer loyalty was examined by Zainurrafiqi et al. (2012). (2012) conducted by Zainurrafiqi et al. at the University of Brawijaya's BRI Bank. The Slovin formula was used to determine the size of the large samples used in this study, which included 99 individuals. Purposive sampling was the method used for the sampling procedure. The conceptual framework of Zainurrafiqi et al. (2012) is shown in Figure (2.3).

**Figure (2.3) Conceptual Framework of The Effect of Customer Relationship Management (CRM) On Customer Satisfaction and Its Impact Toward Customer Loyalty**

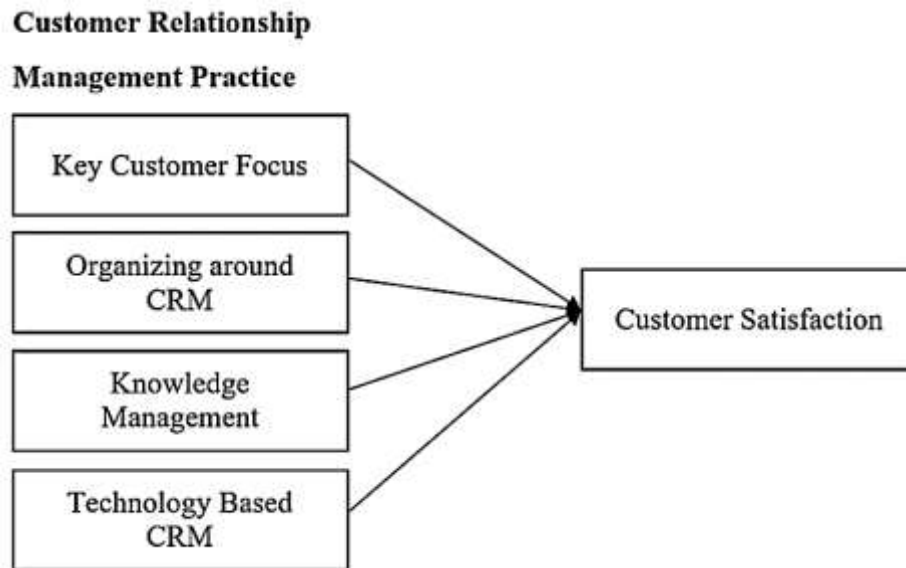


Source: Zainurrafiqi et al. (2012)

Zainurrafiqi et al. (2012) found that customer relations, interactive management, empowerment, personalization, understanding customer expectations, and customer prospecting all had a significant impact on customer satisfaction. Moreover, a significant relationship has been observed between customer loyalty and satisfaction. In the end, the researcher found that a significant indirect effect was subtracted between the variables.

The aim of Fantu (2020) was to determine the impact of CRM on the satisfaction of account holders at Nib International Bank. The study employed a mixed research approach to analyze the data. The target group consisted of 27,692 account holders from specific Nib International Bank branches. A sample of 394 respondents was selected by simple random sampling. Primary data were gathered using a researcher-supervised, closed-ended, 5-point Likert scale questionnaire. Figure (2.4) displays the Fantu (2020) conceptual framework.

**Figure (2.4) Conceptual Framework of Customer Relationship Management Practice and Its effect on Customer Satisfaction: The Case of NIP international Bank**



Source: Fantu (2020)

The findings showed that among Nib International Bank account holders, CRM has a statistically significant and meaningful impact on satisfaction. The bank's knowledge management system was determined to be the weakest.

## **2.6 Conceptual Framework of the Study**

The theoretical foundation and earlier models serve as the foundation for the development of the study's conceptual framework. The impact of HRM practices on customer satisfaction is examined in the framework's first section. In the second section, regression analysis is used to examine how customer satisfaction affects customer loyalty. The study's conceptual framework is shown in Figure (2.5).

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



Source: Own Compilation, 2024

According to the Figure (2.5), five CRM practices are key customer focus, technology orientation, reliability, behavior of employees and knowledge management to be analyzed to find out those CRM practices effect on customer satisfaction. This study also finds out whether customer satisfaction has a significant effect on customer loyalty.

### **Working Definitions**

- 1. Key Customer Focus** in this study means customized service, and close contact of KB Microfinance.
- 2. Technology Orientation** in this study means providing same level of service, faster and more convenient access to service at any time, Call Center for customer service, transparent feedback, and online system at KB Microfinance.
- 3. Reliability in this study** means providing consistent service, timely and pertinent follow-ups, and exact service as requested.
- 4. Behavior of Employees** in this means special attention, empathy, and suggestions and recommendations about the suitable loan products of employees at KB Microfinance.
- 5. Knowledge Management** in this study means quick feedback, knowledgeable employees, and full information for enquiry.

## **CHAPTER 3**

### **PROFILE AND CUSTOMER RELATIONSHIP MANAGEMENT OF KB MICROFINANCE MYANMAR**

This chapter presents the profile of the KB Microfinance. Then it describes the vision, mission and organizational structure of KB Microfinance. Finally, it presents the customer relationship management practices of KB Microfinance Myanmar.

#### **3.1 Profile of KB Microfinance Myanmar**

In an effort to take the lead in Myanmar's rapidly emerging microfinance industry, KB Microfinance Myanmar was founded in 2017. Its headquarters are situated in Yangon. There are currently 23 branches of KB Microfinance Myanmar, employing 350 people to serve clients. The organization intends to keep growing throughout Myanmar while providing micro-entrepreneurs with high-caliber services and a viable business plan.

The goal of KB Microfinance Myanmar is to become a preeminent financial organization by offering impoverished families first-rate services and generating benefits for customers, shareholders, and society at large. To offer cutting-edge financial services and products that are quick, easy, and compliant with laws.

KB Kookmin Bank is based in Korea and has opened more than 80 branches in 11 countries, including Myanmar. KB Microfinance Myanmar was inaugurated in Myanmar in 2017, implementing \$28.095 million. KB Microfinance Myanmar is offering businesses in two states and seven regions including Yangon and Nay Pyi Taw.

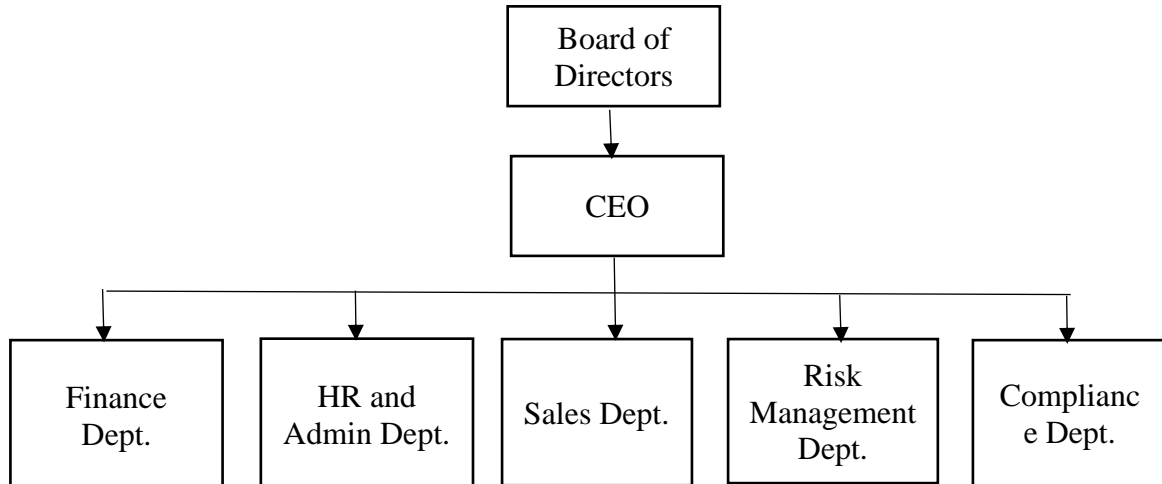
##### **3.1.1 Products and Services of KB Microfinance Myanmar**

KB Microfinance Myanmar offers a wide variety of loan and saving products. Loan products include general loan, staff loan, housing loan, electric loan, firming loan, oversea loan. There are two types of saving products such as compulsory saving and voluntary saving.

### 3.1.2 Organizational Structure of KB Microfinance Myanmar

KB Microfinance Myanmar sets the organizational structure to achieve efficient operations and provide quality service to customers. Figure (3.1) presents the organizational structure of KB Microfinance Myanmar.

**Figure (3.1) Organizational Structure of KB Microfinance Myanmar**



Source: KB Microfinance Myanmar, 2024

As shown in Figure (3.1), under board of directors, one CEO is appointed. There are five main departments under direct control of CEO. Those departments are finance department, HR and Admin department, Sales department, Risk Management department, and Compliance department.

#### (i) Finance Department

The finance department of an organization is responsible for supervising all financial decisions and processes. Additionally, it is in charge of managing the accounting and financial matters, which includes preparing and presenting the proper accounts and giving the management access to financial data. It is also in charge of maintaining records, generating a profit and loss statement and balance sheet, determining which loans are outstanding, and managing salaries.

**(ii) HR and Admin Department**

The responsibility of HR and Admin department is to manage and oversee the personnel and administrative aspects of the business. This division is in charge of drawing in, selecting, and employing competent applicants for available positions within the company. It is also in charge of day-to-day operations, pertinent trainings, and employee relations.

**(iii) Sales Department**

The task of advertising a company's products and services falls to the sales division. The department consists of a sales team that works together to increase sales, improve profitability, and develop and maintain customer relationships in order to encourage repeat business and brand loyalty. The sales team keeps track of what is important and ensures timely delivery of service between management and customers, including submitting customer requests to the organization and handling them in a timely manner. By applying CRM system, salespeople can find out the needs and preference of customers. Then, sales department creates products that meet to the requirements of the customers.

**(iv) Risk Management Department**

The practice of minimizing losses by evaluating borrowers' credit risk, including payment history and affordability, falls under the purview of the risk management department. It is in charge of the independent reporting and analysis of all credit risk components and offers independent oversight of credit risks.

**(v) Compliance Department**

The compliance department keeps an eye on a company's compliance with external regulations and internal controls. Financial services compliance departments work hard to achieve key regulatory objectives in order to protect investors and ensure fair, effective, and transparent markets. This department is responsible for timely resolution of customer grievances and complaints. It also conducts training courses in a timely manner to those who are required to follow.

### **3.2 CRM Practices of KB Microfinance Myanmar**

In this study, five CRM practices of KB Microfinance Myanmar are presented. Those practices include key customer focus, technology orientation, reliability, behavior of employees and knowledge management.

#### **3.2.1 Key Customer Focus**

KB Microfinance Myanmar gives loan to members personally for the purpose of customer conveniences. Concerning with loan information, company loan officers explain well to the member with leaflets, and the members can ask questions through call center is needed. To get member satisfaction, the company is conducting the loan process accurate and fast by reducing nonessential process.

KB Microfinance Myanmar clearly calculates the loan amount annually for regular members in ordinary group loan and employees' loan. It also extends the repaying debt period for the purpose of customer convenience for monthly payment although there is a set rule for are year due for the loan. Moreover, it used to give loan to the people (who want to work abroad) maximum (50) lakhs with reasonable interest, and the numbers do not need to pay within two months starting the date of taking loan, need to pay the time of three moths altogether.

For those, who are working agriculture, the company is providing the agricultural loans with less interest monthly and customers can pay the capital back at crop time. The microfinance helps the late repayment debtors to pay of every month with the reasonable amount by extending the loan settlement period and support them to be normal members with rescheduled loan plan.

The employee personally comes to villages/ quarters except the places near to the offices branches so that customers only need to come to the office which is located nearby. For the repayment, customers can use online payment apps such as KPay, CB Pays. For the convenience of customers, customers do not need to make repayment in person or they can make payment through team leader/ group leader.

#### **3.2.2 Technology Orientation**

Customers can repay the loan through Quick Pay, Mobile Banking Apps so that repaying process can save time and fast. The loan officers explain the customers how to

avoid the incorrect payments and financial fraud when making online payment through Apps. For any convenience concerning with loan data filling form, customers can call Audit manager phone.

KB Microfinance Myanmar uses own system MIS (My Star G) to proves loan process in a short time accurately and quickly. It is easy to check anytime the members' information from the beginning till now. AMI process is strongly checked by using compliance Monitoring System. By using the system, KB Microfinance Myanmar can check the members and employees whether they get involved in money laundering, and political moments. It can also trace over drafted transaction, and doubled transferring. KB Microfinance Myanmar also uses KWS (GHR) system to get the information with time such as personnel affairs internal announcements, and the charges in the departments.

KB Microfinance Myanmar uses CRM system to record customer information and their preferences. By using CRM system at all branches, employees can provide service according to the needs of customers. In addition, it also offers online system for customers to apply loan application online. KB Microfinance Myanmar also has call center for customer service.

### **3.2.3 Reliability**

KB Microfinance Myanmar considers the nature of customers and design the products for distribution. The company do care the members not to get down the debt and care for the repaying loan process. The company keeps the creditors' information confidentially and keeps the system with user access levels. For the accurate service, KB Microfinance used to follow up whether customers get service according to their need. Moreover, by using customer database, KB Microfinance Myanmar provides consistent and timely service.

KB Microfinance Myanmar gives the information protection training monthly not to leak to loan debtors' information, and the property proof of ownership. It also keeps the loan debtors' file in separate filing room not to get damage or loss. For the confidential of privacy, it uses paper shred to destroy the un-useful papers. KB Microfinance Myanmar provides the services to the members for the accurate financial facts by calling directly from call center.

### **3.2.4 Behavior of Employees**

The employees of KB Microfinance Myanmar treat equally to all the members. KB Microfinance Myanmar sets strictly rules for corruption and bad treatment. The employees of KB Microfinance Myanmar explains well with simple and clean words to the member for making appropriate decision.

KB Microfinance Myanmar provides the uniform and badges to the staff. It also provides upgrade training annually to each staff to give better services. All staff are trained to welcome customers with smile and serve the customers courteously. It provides the equal services to all the customers to develop good image of the company. All the employees are instructed not to take any presents even snacks from customers. All the staff knows about the every loan products of the company and can explains all type of loan to the customers thoroughly. If customers request, employees can give recommendation about specific loan to customers based on their needs.

### **3.2.5 Knowledge Management**

CRM is used by KB Microfinance Myanmar to gather, store, assess, and analyze customer insights and data. Usually, this contains details about past customer service encounters, demographics, purchase histories, and more. Each customer's complete information is developed by KB Microfinance Myanmar, and this information is a vital part of the business-customer relationship. With this information at their disposal, businesses can acquire profound insights into consumer behavior and trends, which can help them provide more effective, customized customer service.

Employees at KB Microfinance Myanmar can search for and access pertinent knowledge assets within the CRM and keep track of which documents are being used to help customers or move buyers further down the sales funnel thanks to the integration of a knowledge management platform with the CRM software. Only pertinent data is accessible to all employees in order to provide consumers with user access levels with high-quality service.

By examining customer feedback over time, KB Microfinance Myanmar is able to obtain a more comprehensive understanding of the areas in which its customer service team needs to make improvements and, more specifically, what steps it can take to improve that specific customer experience. By using knowledge management system, KB Microfinance gives services for each customer based on individual information stored in customer database.

## CHAPTER 4

### ANALYSIS ON CRM PRACTICES, CUSTOMER SATISFACTION AND CUSTOMER LOYALTY OF KB MICROFINANCE MYANMAR

The reliability test and the respondents' demographic information are presented first in this chapter. The descriptive outcome of the survey data is then presented. It also includes an analysis of the impact of CRM practices on customer satisfaction. Lastly, it displays the analysis of customer loyalty based on customer satisfaction.

#### 4.1 Research Design

This study focuses solely on how KB Microfinance Myanmar's customer satisfaction and loyalty are affected by CRM practices. There are references to both primary and secondary data. A structured questionnaire with a 5-point Likert scale is used to collect the primary data.

The sample size is 398 based on the Yamane Formula (1967), By Yamane (1973). Using a simple random sampling technique, 398 out of 80,000 are chosen. This is how the Yamane sample size formula looks:

$$n = \frac{N}{1 + N * (e)^2}$$
$$n = \frac{80,000}{1 + 80000 * (0.05)^2} = 398$$

The variables in this formula are:

n = the sample size

N = the population of the study

e = the margin error in the calculation

Structured questionnaire that has two sections. In section A, demographic data of the respondents are explored. In Section B, CRM practices, customer satisfaction and customer loyalty are asked by using 5-point Likert scale. Survey period was 1<sup>st</sup> May 2024 to 21<sup>st</sup> May 2024 by developing Google form. This study uses both quantitative and

descriptive research methods. Secondary data sources include international studies via websites, prior research papers, published papers, relevant textbooks, and microfinance records from KB. The survey data is analyzed using regression analysis to examine the relationship between the independent and dependent variables.

## 4.2 Reliability Test

Test consistency is referred to as reliability. Several reliability coefficients are employed in different ways. Among the most popular is Cronbach Alpha, which is a correlation coefficient with a range of 0 to 1. The reliability test results are shown in Table (4.1).

**Table (4.1) Reliability Test**

<b>Sr. No.</b>	<b>Variable</b>	<b>No. of Items</b>	<b>Cronbach Alpha</b>
1	Key Customer Focus	6	0.968
2	Technology Orientation	5	0.969
3	Reliability	6	0.969
4	Behavior of Employees	5	0.970
5	Knowledge management	5	0.969
6	Customer Satisfaction	7	0.967
7	Customer Loyalty	6	0.968

Source: Survey Data, 2024

Given that all values in Table (4.1) are greater than 0.8, it is possible to see that all values indicate good reliability. As a result, the survey's questions are consistent, and the study's conclusions can be considered legitimate and highly trustworthy.

## 4.3 Profile of the Respondents

Primary data are collected from 398 customers of KB Microfinance. Demographic data of the respondents are presented in Table (4.2).

**Table (4.2) Demographic Data of the Respondents**

<b>Sr. No.</b>	<b>Particular</b>	<b>Frequency</b>	<b>Percent</b>
	Total Number of Respondents	398	100
1.	Gender		
	Male	168	42.2
	Female	230	57.8
2.	Age (Years)		
	Below 20	2	0.5
	21-30	95	23.9
	31-40	183	46.0
	41-50	103	25.9
	51-60	13	3.3
	Above 61	2	0.5
3.	Marital Status		
	Single	157	39.4
	Married	241	60.6
4.	Education Background		
	High School	106	26.6
	Undergraduate	45	11.3
	Graduate	222	55.8
	Post Graduate	19	4.8
	Master	6	1.5
5.	Occupation		
	Company Employee	166	41.7
	Government Employee	137	34.4
	SME Owner	14	3.5
	Farmer	71	17.8
	Services	3	0.8
	Retired	7	1.8
6.	Business Duration with KB Microfinance		
	Less than 1 year	9	2.26
	1-2 years	59	14.82
	2-3 years	101	25.38
	3-4 years	80	20.1
	4-5 years	76	19.1
	Above 5 years	73	18.34
7	Frequency of taking loans		
	1 time	44	11.1
	2 times	100	25.1
	3 times	152	38.2
	4 times	68	17.1
	5 times	34	8.5

Source: Survey Data, 2024

As shown in Table (4.2), majority of the respondents are females and females outnumber males. Majority of the respondents are from 31 to 40 years old followed by

people from 41 to 50 years old. It is found that most of them are married and graduate people. Majority of the respondents are company employees followed by government employees since KB Microfinance Myanmar provides staff loans and loans for international workers. They are dealing with KB Microfinance customers from 2 to 3 years and taking loans from KB Microfinance 3 times.

#### 4.4 CRM Practices and Customer Satisfaction

This section presents the descriptive analysis of influencing factor and customer satisfaction. Structured questions with Five-point Likert scale (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree) was used to find out the effect of CRM Practices of KB Microfinance Myanmar on customer satisfaction. The mean rating scale is presented in Table (4.3).

**Table (4.3) Mean Rating Scale**

<b>Sr. No.</b>	<b>Score Range</b>	<b>Mean Rating</b>
1	1.00 -1.80	Very Low
2	1.81 -2.60	Low
3	2.61-3.40	Neutral
4	3.41- 4.20	High
5	4.21-5.00	Very High

Source: Best, 1977

In order to interpret the primary data obtained using a structured questionnaire with a 5-point Likert scale, Best (1977) determined the mean rating scale, including score range and mean rating. The Best (1977) mean rating score is used in this study.

##### 4.4.1 CRM Practices

In this study, CRM practices of KB Microfinance Myanmar include key customer focus, technology orientation, reliability, behavior of employees and knowledge management.

###### (a) Key Customer Focus

Understanding and catering to customer preferences, offering top-notch customer support, and reliably delivering value to customers are all important aspects of customer

focus. It is the extent of focus of KB Microfinance Myanmar to individual customers while giving service. The survey result for key customer focus of KB Microfinance Myanmar is presented in Table (4.4).

**Table (4.4) Key Customer Focus**

<b>Sr. No</b>	<b>Key Customer Focus</b>	<b>Mean Score</b>	<b>Std. Dev</b>
1.	Providing customized service and products to key customers	4.33	0.67
2.	Getting low monthly interest payment by negotiating	4.39	0.64
3.	Being able to arrange rescheduled loan	4.31	0.69
4.	Visiting to the locations where KB microfinance branch does not exist	4.40	0.66
5.	Doing repayments from Online payment such as Kpay, CB pay	4.28	0.63
6.	Having close contact with KB microfinance	4.37	0.68
<b>Overall Mean</b>		4.35	

Source: Survey Data, 2024

According to the highest mean score (4.40), most of the respondents highly agree that KB Microfinance Myanmar staff come to the locations where there is no KB finance branch. Customers do not need to travel to KB Microfinance office which is located in different town. Relative to second highest mean score (4.39), respondents highly agree that they can negotiate low interest amount according to their repayment ability. Loan officers used to evaluate case by case when calculating repayment amount and schedules. According to the overall mean score (4.35), majority of the respondents highly agree that KB Microfinance provides service by focusing needs and wants of customers.

**(b) Technology Orientation**

Technological orientation is the extent to which companies place an emphasis on obtaining and making use of advanced technology while creating products and giving service to customers. The survey result for key customer focus of KB Microfinance Myanmar is presented in Table (4.5).

**Table (4.5) Technology Orientation**

<b>Sr. No</b>	<b>Technology Orientation</b>	<b>Mean Score</b>	<b>Std. Dev</b>
1.	Providing same level of service offered by KB microfinance	4.27	0.63
2.	Getting faster and more convenient access to service at any time, any place, and in every way	4.36	0.65
3.	Arranging Call Center for customer service	4.28	0.69
4.	Providing transparent feedback for complaint	4.37	0.66
5.	Checking loan approval process at online system	4.20	0.83
	<b>Overall Mean</b>	4.30	

Source: Survey Data, 2024

According to the highest mean score (4.37), most of the respondents highly agree that KB Microfinance Myanmar provides transparent feedback for complaints. KB Microfinance uses the computerized system for every process and can explain when customers have complaints. Relative to second highest mean score (4.36), respondents highly agree that they get faster and more convenient access to service whenever they need since KB Microfinance utilizes online system so that customers can easily access for the services of the KB Microfinance at any time. According to the overall mean score (4.30), majority of the respondents highly agree that KB Microfinance offers service by using advanced technology.

**(c) Reliability**

Reliability is the consistency and dependability of a service to meet customer expectations and deliver a satisfactory experience. The survey result for reliability of KB Microfinance Myanmar is presented in Table (4.6).

**Table (4.6) Reliability**

<b>Sr. No</b>	<b>Reliability</b>	<b>Mean Score</b>	<b>Std. Dev</b>
1.	Getting consistent service	4.30	0.63
2.	Getting exact service as requested	4.34	0.62
3.	Having effective call center at KB microfinance	4.36	0.63
4.	Cooperating with customer in handling requests	4.36	0.65
5.	Doing timely and pertinent follow-ups from KB microfinance	4.38	0.64
6.	Keeping up-to-date records and schedules	4.34	0.67
	<b>Overall Mean</b>	4.35	

Source: Survey Data, 2024

According to the highest mean score (4.38), most of the respondents highly agree that KB Microfinance Myanmar follows up timely and pertinently. KB Microfinance always records requests and complaints of customers and used to follow up the process. Relative to second highest mean score (4.36), respondents highly agree that KB Microfinance Myanmar cooperates with customers in handling complaints and there is an effective call center at KB Microfinance. As the reliable service, KB Microfinance call center directly communicate to customers. According to the overall mean score (4.35), majority of the respondents highly agree that KB Microfinance offers reliable service to customers.

**(d) Behavior of Employees**

The courteous and respectful service behavior of frontline employees is crucial due to the growing customer expectations for exceptional service. Table (4.7) displays the results of the employee behavior survey conducted by KB Microfinance Myanmar.

**Table (4.7) Behavior of Employees**

<b>Sr. No</b>	<b>Behavior of Employees</b>	<b>Mean Score</b>	<b>Std. Dev</b>
1.	Getting special attention from employees of KB microfinance.	4.32	0.63
2.	Proving service with empathy	4.36	0.62
3.	Getting suggestions and recommendations about the suitable loan products	4.33	0.64
4.	Proving respectful and courteous service of employees	4.38	0.63
5.	Not taking any presents from customers	4.42	0.66
	<b>Overall Mean</b>	4.36	

Source: Survey Data, 2024

The majority of respondents strongly agreed that KB Microfinance Myanmar employees do not accept gifts from clients, as indicated by the highest mean score of 4.42. Employees of KB Microfinance are strictly forbidden from accepting gifts from loan clients. In comparison to the second-highest mean score (4.38), respondents strongly concur that staff members of KB Microfinance Myanmar treat clients with equal respect and courtesy when providing services. Based on the average overall score of 4.36, most respondents strongly concur that KB Microfinance employees exhibit positive behaviors.

**(e) Knowledge Management**

Knowledge management in CRM is the process of capturing, organizing, storing, and sharing knowledge or information within the CRM system to enhance customer service, support, and overall customer experience. Knowledge management of KB Microfinance Myanmar is measured in terms of transparency, useful information and providing real-time connection. The survey result for knowledge management of KB Microfinance Myanmar is presented in Table (4.8).

**Table (4.8) Knowledge Management**

<b>Sr. No</b>	<b>Knowledge Management</b>	<b>Mean Score</b>	<b>Std. Dev</b>
1.	Getting feedback quickly from KB microfinance when enquire	4.34	0.65
2.	Helping and thinking about the needs of customers	4.32	0.64
3.	Trying to fulfil all the requirements of customers	4.35	0.67
4.	Providing clear information by Knowledgeable employees about microfinance products	4.33	0.64
5.	Getting full information about enquiry from employees of KB microfinance	4.35	0.65
	<b>Overall Mean</b>	4.34	

Source: Survey Data, 2024

According to the highest mean score (4.35), most of the respondents highly agree that KB Microfinance Myanmar employees trying to fulfill the needs of customers and give full information when customers enquiry. KB Microfinance staff come and visit to the sites of customers if there is no KB Microfinance office in that region and accept mobile payment for loan repayment without coming to the office. Relative to second highest mean score (4.34), respondents highly agree that KB Microfinance Myanmar employees gives feedback fast when customer request information. KB Microfinance Myanmar uses CRM system that stores useful information and staff can easily retrieve those information for customers. According to the overall mean score (4.34), majority of the respondents highly agree that KB Microfinance can provide relevant feedback fast.

#### **4.4.2 Customer Satisfaction**

Encouraging customer satisfaction is crucial for any business to grow. It is a metric used to assess customer satisfaction with a company's goods, services, and capabilities. Table (4.9) displays the results of KB Microfinance Myanmar's customer satisfaction survey.

**Table (4.9) Customer Satisfaction**

<b>Sr. No</b>	<b>Customer Satisfaction</b>	<b>Mean Score</b>	<b>Std. Dev</b>
1.	Satisfied with the services provided by KB microfinance	4.30	0.64
2.	Satisfied with the politeness and skills of employees	4.36	0.65
3.	Satisfied with the speed of the service delivery	4.39	0.67
4.	Satisfied with the update technology applied at KB microfinance	4.31	0.69
5.	Looking forward to receiving good services form KB microfinance and getting better loans in the future	4.32	0.64
6.	Satisfied with the customized service offered by KB microfinance	4.35	0.66
7.	Satisfied with the online loan system of KB microfinance	4.20	0.78
	<b>Overall Mean</b>	4.32	

Source: Survey Data, 2024

The majority of respondents are extremely satisfied with KB Microfinance Myanmar's speed of service delivery, as indicated by the highest mean score of 4.39. In order to ensure that clients receive their desired loans on schedule, KB Microfinance Myanmar offers quick service in accordance with their needs and preferences. In comparison to the second-highest mean score (4.36), respondents are likewise extremely pleased with the skills and manners of KB Microfinance Myanmar staff members. When staff members use the CRM system, customers receive consistent service. Furthermore, KB Microfinance provides training to its staff on appropriate conduct and enhances their understanding of the company's offerings. Based on the average score of 4.32, the majority of respondents express high levels of satisfaction with KB Microfinance Myanmar.

#### **4.5 Analysis on the Effect of CRM Practices on Customer Satisfaction**

Regression analysis is used in this study to examine how CRM practices affect customer satisfaction. An analysis is conducted on five factors: employee behavior, technological orientation, reliability, key customer focus, and management knowledge. The impact of CRM practices on customer satisfaction is shown in Table (4.10).

**Table (4.10) Effect of CRM Practices on Customer satisfaction**

Variable	Unstandardized Coefficients		$\beta$	T	Sig
	B	Std Error			
(Constant)	-.098	.096		-1.015	.311
Key Customer Focus	.215***	.047	.210	4.550	.000
Technology Orientation	.208***	.043	.209	4.814	.000
Reliability	.138***	.048	.126	2.869	.004
Behavior of Employees	.104**	.043	.099	2.401	.017
Knowledge Management	.353***	.042	.345	8.429	.000
R Square	.851				
Adjusted R Square	.849				
F Value	447.956***				

Source: Survey Data (2024)

Notes: \*\*\*Significant at 1% level, \*\*Significant at 5% level

Table (4.10) shows that the adjusted R<sup>2</sup> value is 0.849, meaning that 84.9% of the variation in customer satisfaction that is examined by key customer focus, technology orientation, reliability, employee behavior, and management knowledge can be explained by this model. Since the model's F value is highly significant at the one percent significance level, it can be considered valid overall. The results show that customer satisfaction is significantly impacted by all CRM practices.

At the one percent level of customer satisfaction, Key Customer Focus is significant. Customers are happy with KB Microfinance Myanmar because staff members pay attention to their needs and go to the customer's location if there isn't a branch there. According to the results of regression analysis, customer satisfaction will increase with a higher key customer focus.

Technology orientation is significant with customer satisfaction at 1 percent level. As customers get transparent feedback, fast and convenient service from KB Microfinance Myanmar, they are satisfied with KB Microfinance Myanmar. According to regression results, the higher key customer focus, the more customer satisfaction will be achieved.

Reliability is strongly significant with customer satisfaction at 1 percent level. Customers get follow-up from KB Microfinance Myanmar and they can contact to call center whenever they need. In addition, staff of KB Microfinance actively cooperates for handling request. Therefore, customers get reliable service according to their needs and they are satisfied with KB Microfinance Myanmar. Regression results show that the higher reliable service, the more customer satisfaction will be result.

Behavior of Employees is significant with customer satisfaction at 5 percent level. Customers get courteous and respectful service of KB Microfinance Myanmar when they apply loans. Moreover, employees do not take any presents from the customers. Therefore, customers are satisfied with the behavior of employees. Regression results show that the better behavior of employees will lead to more customer satisfaction.

Knowledge Management is significant with customer satisfaction at 1 percent level. KB Microfinance Myanmar keeps the customer data and tries to fulfill customer request and provides full information when enquiry. As customers get services according to their needs, they are satisfied with KB Microfinance Myanmar. Regression results show that the higher reliable service, the more customer satisfaction will be result.

According to the standardized coefficient (Beta) score, knowledge management has the largest value among five CRM practices. It means that knowledge management is the most effective factor on the satisfaction. For the customers, knowledge management of KB Microfinance Myanmar is the most satisfactory factor since KB Microfinance Myanmar provides consistent services that match their needs and wants.

#### **4.6 Analysis on the Effect of Customer Satisfaction on Customer Loyalty**

When they use the same service again and more frequently than unsatisfied customers, satisfied customers are more likely to become loyal customers. Should the client be dissatisfied with the caliber of service rendered, they will decline to utilize it going forward. A 5-point Likert scale structured questionnaire is used to determine how customer satisfaction affects customer loyalty to KB Microfinance Myanmar.

#### 4.6.1 Customer Loyalty

The likelihood that a customer will do repeat business with a company or brand is measured by their level of loyalty. Table (4.11) displays the results of KB Microfinance Myanmar's customer satisfaction survey.

**Table (4.11) Customer Loyalty**

<b>Sr. No</b>	<b>Customer Loyalty</b>	<b>Mean Score</b>	<b>Std. Dev</b>
1.	KB microfinance always coming to mind at time of need for any kind of loan services	4.25	0.63
2.	Always recommending KB microfinance to others	4.36	0.65
3.	Continuing to patronize KB microfinance even if the service charges are increased moderately	4.08	0.98
4.	Believing KB microfinance for future needs	4.35	0.66
5.	Going to say positive things about KB microfinance to other people	4.36	0.66
6.	Being a loyal customer to the KB microfinance	4.37	0.66
	<b>Overall Mean</b>	4.30	

Source: Survey Data, 2024

The majority of respondents strongly agree that they are devoted clients of KB Microfinance Myanmar, as indicated by the highest mean score (4.37). Customers' preferences are monitored by KB Microfinance, which also is aware of their needs and desires. As a result, it can offer services appropriately. Respondents strongly agree that they always speak well of KB Microfinance Myanmar and have in the past recommended it to others, with a mean score of 4.36, the second-highest among the group. The majority of respondents have a 4.32 overall mean score, indicating that they are very loyal to KB Microfinance Myanmar.

#### 4.6.2 Analysis on Effect of Customer Satisfaction on Customer Loyalty

Customers become loyal and are more likely to use a product or service again when they are happy with their experience using it. Regression analysis is used to examine the relationship between customer satisfaction and customer loyalty; the outcome is displayed in Table (4.12).

**Table (4.12) Effect of Customer Satisfaction on Customer Loyalty**

Variable	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig
	B	Std. Error			
(Constant)	.332	.107		3.090	.002
Customer Satisfaction	.918***	.025	.882	37.218	.000
R Square	.778				
Adjusted R Square	.777				
F Value	1385.200***				

Source: Survey Data (2024)

Notes: \*\*\*Significant at 1% level

Table (4.12) shows that the R<sup>2</sup> value is 0.778, which indicates that 77.8% of the variation in customer loyalty that is determined by customer satisfaction can be explained by this model. Since the model's F value is highly significant at the one percent significance level, it can be considered valid overall.

The results show that, at the 1% level, customer satisfaction and customer loyalty are significantly correlated. Since customers are satisfied with speed of loan service, skills politeness and skills of employees, they become loyal customers of KB Microfinance Myanmar. They also recommend KB Microfinance Myanmar to others and always say positive things about KB Microfinance Myanmar. Regression results indicates that the more customers are satisfied, the greater they will become loyal customers.

## **CHAPTER 5**

### **CONCLUSION**

There are three sections in this chapter. It starts by outlining the conclusions and talks. After that, recommendations and suggestions are made. Lastly, it highlights the need for additional study.

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

The purpose of this study was to investigate how CRM practices affected customers' satisfaction with KB Microfinance Myanmar and to assess how customer loyalty affected customer satisfaction. 398 KB Microfinance Myanmar clients provided primary data via a structured questionnaire using a 5-point Likert scale.

According to the respondents' demographic information, women between the ages of 31 and 40 make up the majority of the sample, followed by individuals between the ages of 41 and 50. It is discovered that the majority of them are graduates and married. The majority of responders are employed by corporations, then by the government. They have been doing business with KB Microfinance for two to three years, and they have obtained three loans from the company.

Regarding key customer focus, it is found that KB Microfinance Myanmar staff come to the customers if the branch is not located in customer state or town. It is also found that customers can negotiate interest amount according to the customer repayment ability. It can be concluded that KB Microfinance focuses key customers to meet the needs of customers.

Regarding technology orientation, it is found that KB Microfinance Myanmar provides transparent feedback for complaints. In addition, it is found that respondents get faster and more convenient access to loan service from KB Microfinance Myanmar, which accepts online loan application. It can be concluded that KB Microfinance utilizes advanced technology to provide service.

Relating to reliability, it is found that KB Microfinance Myanmar follows up timely and pertinently to check whether customers get desired service. It is also found that KB Microfinance Myanmar handles complaints actively. In addition, the Microfinance has

effective call center, which directly communicates to customers. It can be concluded that customers get reliable service from KB Microfinance Myanmar.

Regarding behavior of employees, it is found that employees of KB Microfinance do not take any presents from customers since the organization has strict policies that prohibit the acceptance of gifts from clients. It is also found that KB Microfinance staff treat all customers equally and respectfully. It can be concluded that customers perceive the behavior of employees as favorable.

Regarding knowledge management, the study reveals that KB Microfinance Myanmar employees always try to fulfill the needs of customers and give full information whenever customers enquiry. It is also found that employees gives feedback fast when customer request information. It can be concluded that KB Microfinance can provide fast relevant feedback to customers.

Relating to the first objective, it is found that all CRM practices (key customer focus, technology orientation, reliability, behavior of employees and knowledge of management) have positive and significant effect on customer satisfaction. Among CRM practices, knowledge management is the most effective factor on the satisfaction of KB Microfinance Myanmar.

Regarding the second objective, it is found that customer satisfaction has positive and significant effect on customer loyalty. Regression result indicates that the more customers are satisfied, the more loyalty they have. As customer are satisfied with speed of service delivery, behavior of employees and customized service, they always say positive things about KB Microfinance Myanmar, and they become loyal customers of KB Microfinance Myanmar.

## **5.2 Suggestions and Recommendations**

KB Microfinance Myanmar can improve customer satisfaction and loyalty based on the research findings. It should pay first priority to knowledge management as it is the most influencing CRM dimension on customer satisfaction. KB Microfinance Myanmar should continue implementing knowledge management of CRM. It should also consider incorporating knowledge management in every aspect of business. By adopting a knowledge base management system, KB Microfinance Myanmar should develop every

customer profile and centralize that information and facilitate knowledge sharing across all departments. This enables employees to access the information that they need to provide exceptional customer service and drive customer satisfaction. Moreover, KB Microfinance Myanmar should invest in CRM training to ensure their employees are properly qualified to use the software and data to provide quality service and improve customer satisfaction.

Regarding key customer focus, KB Microfinance Myanmar should offer more repayment channels or options so that customers will be more comfortable for repayment. KB Microfinance Myanmar should offer more customized loan rescheduling in the wake of natural disasters or unrest situations in regions. Then, customers will be satisfied as microfinance provides flexible service.

Regarding technology orientation, KB Microfinance Myanmar should provide clear and transparent online loan processing. In addition, KB Microfinance Myanmar should always check customer profiles at CRM system while giving service to provide customized service to customers. By implementing above suggestions, customers will be satisfied as microfinance provides flexible service.

To improve reliability of service, KB Microfinance Myanmar should arrange service request form to record the needs and wants of the customers. Based on service request form, KB Microfinance Myanmar should provide a consistent service across all customer touch points, ensuring that customers receive the same level of service every time. By implementing above suggestions, customers will be satisfied as they get reliable service from KB Microfinance Myanmar.

Regarding the behavior of employees, KB Microfinance Myanmar should regularly provide customer service training so that employees can do special attention to customers courteously and respectfully. Moreover, KB Microfinance Myanmar should give product trainings to employees. Then, employees can give suggestions and recommendations for products that are relevant to needs of customers. Therefore, customers will be satisfied with behavior of employees of KB Microfinance Myanmar.

Finally, KB Microfinance Myanmar should always take feedbacks from customers to create new products and offer quality service to customers. In addition, it should monitor the strategies of competitors and update its strategies to get competitive advantage.

### **5.3 Need for Further Research**

The primary focus of this study is how KB Microfinance Myanmar's customer satisfaction and customer loyalty are affected by its CRM practices. Therefore, in order to fully examine the banking industry, future research should focus on the CRM practices of other banks. Furthermore, this study analyzes only CRM practices and it does not cover other factors that can affect on customer satisfaction. It is recommended that further study should also find out more influencing factors such as marketing mix, and customer attitudes to cover factors that can affect on the customer satisfaction.

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**APPENDIX A**  
**QUESTIONNAIRE SURVEY**

**Dear Sir/Madam,**

The purpose of this questionnaire is to collect data for the research titled **“Customer Relationship Management Practices, Customer Satisfaction and Customer Loyalty of KB Microfinance Myanmar”** as part of my academic research study for the MBF at YUE. I appreciate your value and time in responding to the questions and assure you of confidentiality and privacy.

Yours Sincerely,  
Win Zaw Tun

**Section A: Demographic Information**

**1. Gender**

- Male                       Female

**2. Marital Status**

- Single                       Married

**3. Age (Years)**

- below 20               21-30               31-40  
 41-50               51-60               above 61

**4. Education Background**

- High School               Undergraduate               Graduate  
 Post Graduate               Master               Other .....

**5. What is your Job?**

- Company employee       Government Staff
- SME owner               Freelance               Retired
- Other (Please Specify) .....

**6. How long have you been dealing with KB microfinance?**

- Less than 1 year       1-2 years               3-4 years
- 4-5 years               Above 5 years

## Section B: Customer Relationship Management Practices

Please state level of your agreement on each statement by providing the most relevant number.

1= Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

### Key Customer Focus

No	Items	Scale				
		1	2	3	4	5
1	KB microfiance provides customized service and products to its key customers.					
2	I get low monthly interest payment by negotiating with officials of KB microfiance.					
3	I am able to arrange rescheduled loan based on repayment ability of late payment.					
4	In lending loans, KB microfinance staff visit to the locations where KB microfinance branch does not exist.					
5	I request KB microfinance to accept repayments from Online payment such as Kpay, CB pay.					
6	I have close contact with KB microfinance.					

### Technology Orientation

No	Items	Scale				
		1	2	3	4	5
1	I get the same level of service every time I interact with KB microfinance.					
2	I get faster and more convenient access to service at any time, any place, and in every way.					
3	I can contact to Call Center for customer service.					
4	I get transparent feedback when I complaint.					
5	I can check loan approval process at online system.					

**Reliability**

No	Items	Scale				
		1	2	3	4	5
1	I get consistent service.					
2	I get the exact service as I requested.					
3	KB microfinance effectively communicates to customers by call center.					
4	KB microfinance is co-operative with its customers in handling their request.					
5	I get timely and pertinent follow-ups from KB microfinance.					
6	KB microfinance accounts are up to date and the schedules are properly kept.					

**Behavior of Employees**

No	Items	Scale				
		1	2	3	4	5
1	I get special attention from employees of KB microfinance.					
2	KB microfinance employees have empathy.					
3	I get suggestions and recommendations about the suitable loan products from employees of KB microfinance.					
4	KB microfinance employees treat employees respectfully and courteously.					
5	KB microfinance employees do not take any presents from customers.					

**Knowledge Management**

No	Items	Scale				
		1	2	3	4	5
1	I get feedback quickly from KB microfinance when I enquire.					
2	KB microfinance employees help and think about the needs of customers.					
3	KB microfinance employees try to fulfill all the requirements of customers.					
4	KB microfinance employees are knowledgeable about microfinance products.					
5	I get full information about my enquiry from employees of KB microfinance.					

### Customer Satisfaction

No	Items	Scale				
		1	2	3	4	5
1.	I am satisfied with the services provided by KB microfinance.					
2.	I am satisfied with the politeness and skills of employees.					
3.	I am satisfied with the speed of the service delivery.					
4.	I am satisfied with the update technology applied at KB microfinance.					
5.	I trust KB microfinance.					
6.	I am satisfied with the customized service offered by KB microfinance.					
7.	I am satisfied with the online loan system of KB microfinance.					

### Customer Loyalty

No	Items	Scale				
		1	2	3	4	5
1.	KB microfinance always come to my mind at time of need for any kind of loan services.					
2.	I would always recommend KB microfinance to someone who seeks my advice.					
3.	I will continue to patronize KB microfinance even if the service charges are increased moderately.					
4.	I believe KB microfinance can satisfy my future needs.					
5.	I will say positive things about KB microfinance to other people.					
6.	I am a loyal customer to the KB microfinance.					

## APPENDIX B

### Effect of CRM Practices on Customer Satisfaction

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

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.923 <sup>a</sup>	.851	.849	.21368	1.856

a. Predictors: (Constant), X5, X3, X2, X4, X1

b. Dependent Variable: CS

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

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	102.270	5	20.454	447.956	.000 <sup>b</sup>
	Residual	17.899	392	.046		
	Total	120.169	397			

a. Dependent Variable: CS

b. Predictors: (Constant), X5, X3, X2, X4, X1

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

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-.098	.096		-1.015	.311	-.287	.092
	X1	.215	.047	.210	4.550	.000	.122	.308
	X2	.208	.043	.209	4.814	.000	.123	.293
	X3	.138	.048	.126	2.869	.004	.043	.232
	X4	.104	.043	.099	2.401	.017	.019	.190
	X5	.353	.042	.345	8.429	.000	.271	.436

a. Dependent Variable: CS

## 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	.882 <sup>a</sup>	.778	.777	.27028	1.911

a. Predictors: (Constant), CS

b. Dependent Variable: CL

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	101.188	1	101.188	1385.200	.000 <sup>b</sup>
	Residual	28.928	396	.073		
	Total	130.115	397			

a. Dependent Variable: CL

b. Predictors: (Constant), CS

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.332	.107		3.090	.002	.121	.543
	CS	.918	.025	.882	37.218	.000	.869	.966

a. Dependent Variable: CL