The Myanmar JOURNAL

Letter from the Editor-in-Chief

Myanmar and Korea have many similarities and are complementary relationship. Therefore, we believe that research exchange will expand mutual understanding between Myanmar and Korea, and will be the cornerstone for mutual development.

KOMYRA and YUE have co-published The Myanmar Journal since August 2014. So far, many scholars have published numerous papers through the journal, and We are sure that this journal has helped many people understand Myanmar and Korea more clearly and closely.

The Myanmar Journal covers various issues in Myanmar and Korea. It covers various topics that can promote bilateral development and mutual understanding, not limited to specific topics such as economy, industry, society, education, welfare, culture, energy, engineering, healthcare, and agriculture.

We hope that this journal will continue to promote understanding of the current status and potential capabilities of Myanmar and South Korea and promote in-depth international exchange and cooperation.

We would like to express our deepest gratitude to the editorial board and YUE and KOMYRA for their valuable support in The Myanmar Journal publication.

February 28, 2021

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The Myanmar Journal

The Myanmar Journal (ISSN 2383-6563) is the official international journal co-published by Yangon University of Economics (YUE) and Korea Myanmar Research Institute (KOMYRA).

This journal aims to promote the mutual cooperation and development of Myanmar and Korea through intensive researches in the entire filed of society, economy, culture, and industry.

It will cover all general academic and industrial issues, and share ideas, problems and solution for development of Myanmar.

Articles for publication will be on-line released twice a year at the end of February and August every year on the Myanmar Journal webpage (http://www.komyra.com/bbs/board.php?bo_table=articles).

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ANALYSIS OF THE CUSTOMER SATISFACTION ON ACTIVITIES OF MYA SEIN YAUNG MICROFINANCE INSTITUTION IN PADAGYI VILLAGE, KYAUKTAN TOWNSHIP

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ABSTRACT : This study explores customer satisfaction of the activities of Microfinance Institution (MFIs) in Padagyi Village. This study aims to study to explore the activity of microfinance in Padagyi Village and to examine the customer satisfaction with respect to these MFIs. Mya Sein Yaung MFIs give his clients financial services such as microfinance program and credit programmed. The clients of Mya Sein Yaung MFP are 400 and 30 households are interview with structure questionnaires. To increase the loan amount, the clients are needed to repayment at the right time. This, the responsible person needed to evaluate their loan program then services, to offer the clients, how to communicate their clients, interest rate, insurance program. To analyze the discrepancy gap between customer's expectations and perceptions toward service quality of the studied MFIs, SERVQUAL model was used. The service quality was consisted of five dimensions: tangibility, reliability, responsiveness, assurance and empathy and Mya Sein Yaung Microfinance Institution are negative. Therefore, MFIs were still need to improve the rest important dimension. This result shows that the surveyed customers are not satisfaction with the service provided by MFIs.

Key words: *Microfinance institutions, customer expectations and perception, SERVQUAL model, five dimensions*

I. Introduction

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According to the financial institution of Myanmar Law 1990, traditional banks and financial institution are not allowed to provide uncollateralized credit. All banks credit has to be collateralized either with real estate or by a fixed deposit account. Many lenders provide credit with average monthly interest rates of around 10%. And from worker borrow from their employers at similar interest rate, or take advance on their wages without collated.

To respond the above the bottleneck and to faster economic growth, microfinance was first introduced to Myanmar in 1997 by United Nations Development Program (UNDP) Human Development Initiative (HDI), a pilot project that was regulated by a special MOD with authorizes. A number of microfinance initiatives under a part of HDI were implement through various international non-government organizations (INGOS) such as Economic Development Associates (EDA), Gameen Trust, Group de recherché et discharges technologies (GRET) and Partner Agencies Collaborating Together (PACT) in the Delta area (Ayeyarwady Division), the Dry Zone and Shan State. Later on, other INGO also began providing microfinance services as a part of their broader poverty alleviation intervention.

In 2011 November, the new government adopted the Microfinance Law that allows to local and foreign investors to establish privately owned Microfinance institution (MFIS). And the government established poverty alleviation with eight devices for the country development. One of the eight devices is microfinance. According to this poverty alleviation, microfinance create employment and income, allows the poor to smooth consumption and meet social, religious and other obligation, especially women. So, the government was encouraged to establish the microfinance in the cooperative and non-government organization (NGO). Therefore, microfinance sector is most important to social-economic development in Myanmar.

II. Rationale of the Study

Microfinance industry is now affected by strong competition of commercial banks which have begun to target MFI's traditional customers, and the microfinance client is becoming more sophisticated concerning the quality of service they require or expect. (Dabbers2002). These factors may negatively affect the MFI's. In fact, the microfinance industry is losing customer because of both the aggressive competition and MFI's weakness to satisfy their clients (Urguizo 2006). These show why MFI's are concerned about customer satisfaction and retention. IFADC (2007) justifies also why microfinance supervisors must pay attention to understand their customer's

preferences and priorities to survive in a competitive environment.

Satisfaction is not a static idea and if changes as soon as a client funds a better deal that meets his expectations. In this perspective, firms must focus on customer satisfaction, studying and determining as soon as possible the customer satisfaction level, to adjust the product to customer needs. Indeed, customer, satisfaction has greater significant for the future of an institution and it is seen as a basis for securing market position and achieving other objectives of the institution (korus, 2002).The causes of poverty include changing trends in a country's economy, lack of education, high divorce rate which causes feminization of poverty, overpopulation, epidemic diseases such as AIDS and malaria, and environmental problems such as lack of rainfall." The issue of poverty can be solved through education, economic security, water and sanitation, health care and job creation. There are many people earning less than$2per day. Non-governmental organizations, governments and other organizations have played an important role in identifying major causes of poverty and striving to provide solutions.

Myanmar established poverty alleviation with the eight devices for the country development. One of the eight devices is microfinance. In November, 2011 the new Myanmar government adopted the Microfinance law that allows to both local and foreign investors to establish privately owned Microfinance institutions (MFIs). The government encourages establishing the microfinance not only in the co-operatives and NGOs but also in INGOs. There is interest of several international MFIs and investors to enter the market. World Bank and other donors are prepared to support microfinance supervisors. For MFIs, customer satisfaction is one of the important tools to run their business smoothly and to achieve the mission statement of these businesses.

Microfinance is powerful for improving livelihoods of rural people and is an effective development tool for poverty reduction for the simple reason that financial services enables poor and low-income households to take advantage of economic opportunities to build asset, and to reduce their vulnerability to external shocks that adversely affect their living standards. This study highlights how MFIs provide customer satisfaction on activities of Mya Sein Yaung Microfinance Institution in Padagyi Village, kyauktan Township.

III. Objectives of the Study

The objectives of the study are as follows;
(i) To explore the activities of microfinance institutions in Padagyi village, Kyauktan

Township.

(ii) To examine the customer satisfaction with respect to the service of microfinance institutions in Kyauktan Township.

IV. Scope and Method of the study

This research is aimed to do in Padagyi Village, Kyauktan Township in Yangon Division. There are totally eight NGOs and INGO MFIs in Kyauktan Township. Among them, Mya Sein Yaung was studied in this study. The study only 30 households from each MFIs in Padagyi VillageKyauktan Township area by using simple random sampling method. In this study required data will be collected by using primary and face to face survey method by using structured questions. Secondary data is obtained from internet sources, websites.

V. Literature Review

1. Definition of Microfinance

Microfinance is defined as financial services for poor and low-income clients offered by different types of service providers. Microfinance can not only create income generation and earning opportunities, but also meet necessities of life; microfinance can serve as emergencies from natural disasters and protect them from further improvement during.

2. Characteristics of Microfinance

Microfinance gives access to financial and non-Financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance come into being from the appreciation that micro-entrepreneurs and interest, on time and also make saving, provided financial services are tailored to suit their need. Microfinance as a discipline has created financials products and services that together have enabled low-income people to become clients of a banking intermediary.

3. Dimension of Service Quality

Five dimensions were purified and developed into five dimensions-tangibility,

reliability, responsiveness, assurance and empathy to measure service quality, SERVQUAL Parasuraman and Zenithal, 1982. These Five dimensions identified in Tables.

Table 1. Five Broad Dimension of Service Quality

Dimension	Definition
Tangibles	Appearance of physical facilities, equipment, personnel and
Reliability	Ability to perform the promised service dependably and accurately.
Responsiveness	Willingness to help customers and provide prompt service
Assurance	Employees' knowledge and courtesy and their ability to inspire trust and Confidence
Empathy	Caring, easy access, good communication, customer understanding and individual lazed attention given to customers.

Source: Adapted from Zenithal (1990)

4. Service Quality Model

The SERVQUAL model is considered as the pioneer model in customer satisfaction measurement. Developed by Parasuramanet al.1985, the model has been recognized as the most representative tool in approaching customer satisfaction issues. The central idea is that service quality is "a function of the difference scores or gaps between expectations and perceptions (P-E)". "SERVQUAL contains 22 pairs liker scale statements structured around five service quality dimensions in order to measure service quality dimensions in order to measure service quality (Cronin and Yaylor 1992).Reliability, Responsiveness, Assurance, Empathy, Tangibles,"(Bloemer, Rugter et al 1999).

In This perspective, customer satisfaction is analyzed as multidimensional concept resulting from a comparative approach between customer's expectations and perceived quality delivered by the firm (cf. Parasuraman et al 1985). Thus, "a positive gap score implies that expectation have been met or exceeded and a negative score implies that expectations are not being met" (Parasuraman,et al .1988).cited by (Safakli,nd Barnes 2005, Parasuraman, et al .1985). Based on their findings they developed a service quality, model based on gap analysis which is illustrated in –GAP model parasuraman et al, 2004:46).Based on their findings they developed a service quality model based on gap analysis which is illustrated in-GAP model (Parasuraman et al, 2004:46). The quality gap according to Parasuraman (2004) and Táchira and Baker (2007) are five. These are:

· Gap-1: The difference between what customer really (actually) expect and what management this (perceptions) of customer expectations. This gap is referred to as the understanding or knowledge gap.

· Gap-2: Is what is called the standard gap. It is the difference between

management perception of customer service quality expectations and service quality specifications.

· Gap-3: This gap is also known as the delivery gap. The difference between services quality specifications and the actual service quality delivered.

· Gap-4: This gap too is termed as the communication gap. It is the difference between the delivery of service and the external information (Communication) regarding promises made to customers or implied.

· Gap-5: Is difference between customers' expectation of service quality and actual service received. Figure 2.2 gives a picture of the five gaps of SERVQUAL. Now, ServQual model is analyzed and modified by some authors seeking to adapt it or to correct some mistakes it may be perceived to contain.

5. Conceptual Framework of the Study

In this framework of the five services quality dimensions have been used for this study; tangible, reliability, responsiveness, assurance and empathy; for assessing service quality of Microfinance Institution in Mya Sein Yaung. This framework is only focus measuring customer satisfaction gap (Gap 5); the gap between customers perceives service quality performance and expectation on service of MFIs in Mya Sein Yaung by the clients. Customer Satisfaction is the result of different between these two. The major element of SERVQUAL Gaps Model development by Zeithaml, Berry and Parasuraman (1998) is used as the conceptual framework in this study (Only Gap 5) in finger 2.
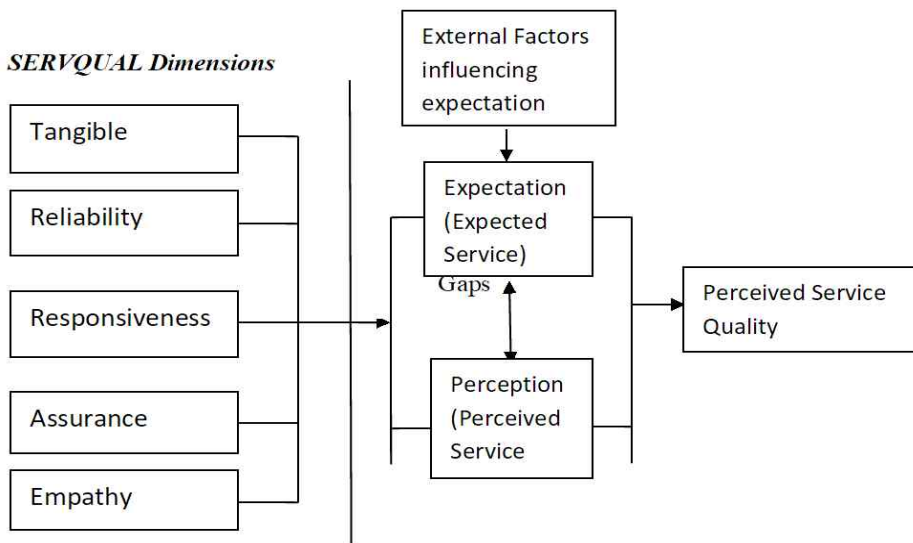

Figure 1 Measuring Service Quality using SERVQUAL Model

Source; Kumar et al, 2009
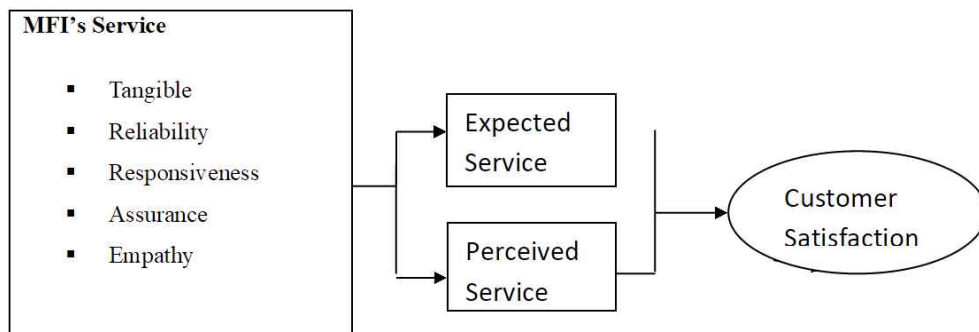
Figure 2: Conceptual Framework of Customer Satisfaction toward Mya Sein Yaung
Service Quality
Source: A, Parasuraman, V, A Zeithaml, and L. L. Berry

VI. Process of Microfinance Activities in Myanmar

The establishment of a Microfinance Project in Myanmar which provides the rural poor access to credit and allows them to initiate or expand income earning activities, is relatively new but an innovative approach to poverty alleviation practiced in many developing countries.

The following steps are carried out to perform the Microfinance activities by the participating MFIs.

Step 1, Township officers (To) select villages based on comparatively fair accessibility. And then the villages can identify themselves for eligibility to the project and also house-to house baseline data collection and secondary data from authorities concerned assist in screening the potential clients from the specific villages.

Step 2, is sensitization and mobilization. In this step, all the staffs of the MFIs went down the proposed villages and presented the goals, objectives, rules and regulations village leaders and request their assistance and participation in advocating for the credit activities. The project is then presented to villagers who are interested to join the project.

Step 3, Credit and Saving Groups Formation is done by selecting group members through the group's own decision. This is the most fundamental and the most important activity of the project implementation. The Solidarity Group lending methodology is used. A group can be labeled as strong if it is collection of individuals who are gathered together and group that it is their self-interest to ensure that all members of the group fulfill their own obligations.

Step 4, group recognition is carried out. It is most effective method that is

available for the programmer to exercise quality control over its client base. Quality control in this instance means ensuring that all members meet the eligibility criteria, have good understanding of objectives.

Step 5, all new groups must be trained on the services of the credit programmed. Though the trainings new members have to be aware and clear about all the responsibilities, rules and regulations of the Microfinance programmed create of obligation through verbal contract between the borrowers and filed workers, aware and commit the saving. Non formal Education (NFE) of Microfinance modules are applied here in these trainings.

Step 6, loan processing and disbursements are made. The priority list for receiving loan is drawn by the group members themselves by taking the individual requirements into consideration. The group lender will receive the loan at the last and final batch.

Step 7, is repayment collection. The loans will have to be repaid (principle interest) at the target dates. The repayment schedules are fixed at borrowing contracts, loan collection methods and interest rates are different among MFIs. Loan collection is done through the group lenders who hands over the payment to the Credit and Saving Promotes (CSR).

Step 8, is MFS Monitoring. MIS is developed in each project sites for monitoring the project progress. MIS reports are regularly submitted from township offices to regional offices and regional offices to Head offices.

VII. Analysis and Findings

Demographic Characteristics of Respondents

Thirty clients are chosen from each MFI under study. Demographic characteristics, such as gender, age, material status, occupation and all the characteristics in part one are consider as relevant factors that might help to understand the client's attitude on MFIs activities. The detail information about personal data of the respondent are shown as below:

Table 2. Gender of Respondents

MFI / Sex	MyaSeinYaung(MFIs)	
	Frequency	%
Male	4	13.33
Female	26	86.67
Total	30	100

Source: Surveyed Data, 2019

As shown in Table (2), 13.33% of respondents are male and the rest 86.67% of respondent are female clients. This data suggests that it might be more lend for female than male because of most MFIs is targeted for women.

Table 3. Age of Respondents

MFI / Age	Mya Sein Yaung(MFIs)	
	Frequency	%
< = 20	0	0
21-30	0	0
31-40	8	26.67
41-50	12	40
51-60	8	26.67
>- 70	2	6.67
Total	30	100

Source: Surveyed Data, 2019

Based on the Table (3) most of the clients or respondents are in the age of 41-50(40% of respondents (12) clients is the most the remaining of 2 clients, 6.67 is the least respondents in this study. It can be seen that clients are responsible person in the family in this age.

Table 4. Education of Respondents

MFI / Education Level	Mya Sein Yaung(MFIs)	
	Frequency	%
Literate	8	26.67
Primary	16	53.33
Middle	3	10
High	2	6.67
Graduate	1	3.33
Other	0	0
Total	30	100

Source: Surveyed Data, 2019

According to Table (4) Primary level is the highest respondent of 16 clients and 53.33%. It can be found that, 1 graduate, 3.3% is the last in this study.

Table 5. Occupation of Respondents

MFI Occupation	Mya Sein Yaung(MFIs)	
	Frequency	%
Shopkeeper	12	40
Breed	10	33.33
Civil servant	1	3.33
other	7	23.33
Total	30	100

Source: Surveyed Data, 2019

According to Table (5) most respondents are Shopkeeper (or) Seller. This Shopkeeper (or) Seller represents large group having frequency 12 and percentage (40 %). The second largest is 33.33% in the Breed. So, the clients are inverting microfinance funds in micro-enterprises.

Table 6. Monthly income of Respondents

MFI Income (ks'000)	Mya Sein Yaung(MFIs)	
	Frequency	%
< = 50	1	3.33
51-100 ks	13	43.33
101 -150 ks	12	40
>150 ks	4	13.33
Total	30	100

Source: Surveyed Data, 2019

As shown in Table (6) income level of clients getting MFIs services is mostly on income 50,001 – 100,000 kyat, having 13 clients and 43.33%. Most of the clients may be lower income people or base person who was investing microenterprise or small business with their own income. In addition, income level between 100,001 kyat and 150,000 kyat is second largest group.

Table 7. Loan Life of Respondents

MFI / Loan life	Mya Sein Yaung(MFIs)	
	Frequency	%
Under 1 year	3	10
2 year	19	63.33
3 year	8	26.67
Total	30	100

Source: Surveyed Data, 2019

According to the Table (7), out of the total clients, out of the total clients, the persons who take selected sample MFI between 2 years are largest in number.

Table 8: Delinquency of Respondent

MFI / Delinquency	Mya Sein Yaung(MFIs)	
	Frequency	%
Yes	0	0
No	30	100
Total	30	100

Source: Surveyed Data, 2019

According to Table (8) the most isn't delinquency client that the frequency 30 and percentage 100%.

Table 9: Analysis of Customer Satisfaction of Expectation toward Service Quality

Customer's Expectation		
MFIs / Dimension	Mya Sein Yaung(MFIs)	
	Mean	Level
Tangible	4.17	High
Reliability	4.07	High
Responsiveness	3.57	High
Assurance	4.10	High
Empathy	3.47	High
Overall Mean score	6.46	Highest

Source; Surveyed Data, 2019

According to Table (9) the overall satisfaction of expectation towards the five dimensions was at a highest level 6.46. The result of customers' expectation showed that 'Tangible' dimension was at the high level 4.17, Reliability 4.07, Responsiveness 3.57, Assurance 4.10, Empathy 3.47. Most customers expected personable because

every customer is highly expecting the provision of caring and individualized attention from the field officer.

Table 10. Analysis of Customer Satisfaction of Perception toward Service Quality

Customer's Perception		
MFIs Dimension	Mya Sein Yaung(MFIs)	
	Mean	Level
Tangible	3	High
Reliability	3.20	High
Responsiveness	2	High
Assurance	3.10	High
Empathy	3	High
Overall Mean score	4.76	Highest

Source: Surveyed Data, 2019

According to Table (10) the overall satisfaction of perception toward the five dimensions was at the highest level 4.76. The result of customer's perception showed that 'tangible 3', high level, Reliable 3.20 high level, Responsiveness 2, low level Assurance 3.10, Empathy 3 is high level.

Table 11. SERVQUAL Gaps for Expectation and Perception of Five Dimensions by Selected MFIs

Customer's Service Gap			
MFIs Dimension	Mya Sein Yaung(MFIs)		
	E	P	P-E
Tangible	4.17	3	-1.17
Reliability	4.07	3.20	-0.87
Responsiveness	3.57	2	-1.57
Assurance	4.10	3.10	-1
Empathy	3.47	3	-0.47

Source: Surveyed data, 2019

Table (11) clearly shows analysis of gap scores for expectation and of five dimensions by selected MFIs. By using the SERVQUAL model, the gap is calculated the different between the mean value of expectations and these of perceptions. Almost all the dimensions of service gaps in selected MFIs are negative. The negation value means that the expectations of the customers indicating there is a necessary for improvement.

Mya Sein Yaung MFI has the highest service gap because this business's service performance is bit closer to customer's expectations due to their service provide. Finally, the whole of the Mya Sein Yaung are not customer satisfaction with their

clients.

VIII. Conclusions

The study demonstrates the customers' expectations and perceptions mean of selected Microfinance Institutions (MFI). Microfinance Institution is to provide the needs of the low-income people for provides social needs of then. This chapter describes the finding of the study in Padagyi Village in Kyauktan Township. Furthermore, this study tries to find out how customers' perceptions of service quality dimensions are for away meeting expectations. There are (30) responsible are Servqual to known the customer satisfaction on activities of Mya Sein Yaung MFIs in Padagyi Village in Kyauktan Township. It can be found that, most the respondents are want and most of their education level is primary level. Their income level is between 51,000 kyat and 100,000ks. Most of women takes loans about 2 years and it is (63.33%) of respondents when student the customer satisfaction of expectations towards service quality by using SERVQUAL all of the dimension of service gaps in selected MFIs are negative. By doing so, the President in the MFIs will pay more attention to those dimensions where the service gaps are large.

Because by using the SERVQUAL model, the gap is calculated the different between the mean value of expectation and these of perceptions. Almost all the dimension of service gaps in selected MFIs is negative. This result show that the surveyed customers are not satisfied with the service provided by the MFIs so, the MFI president of the Mya Sein Yaung should try to fulfill the needs of their clients as a starting point for improving the level of service quality offered for the customer satisfaction.

According to the results, the performance dimension of MFI in Mya Sein Yaung is negative. In order to improve customers' satisfaction on this institution, MFI's presidents need to provide the non-financial services and insurance program. The customers' expectations will be high by looking at their institution images. In order to maintain customers' satisfaction on Mya Sein Yaung, MFI's president should design loan program, saving program, provide social problem, microfinance insurance program, and trading and education program within the MFI. This MFI's field officers need to be ready for solving the client's problems and seek new clients who are low-income people and want to improve their life. They also should have the knowledge, skill and ability to answer the clients 'questions, to understand help the customers. The responsible person needed to watch the strength and weakness of their loan program and saving program to adapt the client's needs.

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