

# Factors Affecting Customer Loyalty on Banking Service: A Case of Kanbawza (KBZ) Bank in Yangon, Myanmar

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**Abstract**—This study investigates the relationship between technology security & information quality, technology convenience, technology usage easiness & reliability, service personal values, customer service, customer satisfaction and customer loyalty of banking service. To do so, a survey was conducted by distributing 400 questionnaires in 4 branches of KBZ bank in Yangon, Myanmar. The Pearson Correlation was applied for the data analysis. The results show that there is a positive and significant relationship among technology security & information quality, technology convenience, technology usage easiness & reliability, service personal values, customer service, customer satisfaction toward customer loyalty. The findings indicated customer satisfaction was the most important factor affecting customer loyalty on banking service. Based on these results, it seems that KBZ needs to focus mainly on customer satisfaction to build and sustain customer loyalty.

**Keywords**—Customer loyalty, customer satisfaction, customer service, service personal values, technology convenience, technology security & information quality and technology usage easiness & reliability.

## I. INTRODUCTION

LOYALTY can be of substantial value to both customers and the firm. Customers are willing to invest their loyalty in business that can deliver superior value relative to the offerings of competitors (Yang and Peterson, 2004) [1]. Also, Floh and Treibmaier (2006) [2] have defined loyalty as the repeat purchasing of a particular service or product. For this reason, any organization must strive to keep loyalty customers as long as possible (Chen and Quester, 2006) [3].

Oliveira (2007) [4] mentioned that technology service quality was the most important marketing variable. Also Davis (1989) [5] defined ease of use as the degree to which a person believes that using a particular system would be free of effort. This shows that customers become loyal to the banks only if the technology provided is easy to use and reliable as well as convenient.

Marandi et al. (2006) [6] have found empirically that service personal values have a positive impact on customer loyalty in the service sector. Customer service is influential

when creating customer loyalty however its effect on customer loyalty is not so powerful. Although its unpowerful impact, retailers must improve customer loyalty since customer service is one of the tools that creating customer loyalty.

Customer satisfaction is viewed as the cumulative experience with a certain product or service as satisfaction with a single transaction barely leads to long-lasting customer loyalty (Fornell, 1992) [7].

This study is about “Factors affecting customer loyalty on banking service: A case study of Kanbawza (KBZ) bank in Yangon, Myanmar”. The researcher will focus on the customers of KBZ who have experience of using banking services more than 3 times.

## II. LITERATURE REVIEW

### A. Technology Security & Information Quality

Kua et al. (2009) [8] studied consumer needs for global electronics found out that there is quite a lot of attention by customers to the issue of security while conducting their purchase and privacy with regards to their personal information. The two main issues that customers worry about when conducting business online are faithfulness (security/privacy) especially regarding their confidential personal information.

### B. Technology Convenience

Joseph et al. (1999) [9] defined that technology convenience is items which showed the understanding of using the technology channel more than other channels. Moreover, Pew (2003) [10] defined the description of convenience was in terms of not having to wait, lifestyle, household use, workplace use, not having to travel, personal safety, saved time and 24/7 access.

### C. Technology Usage Easiness & Reliability

Gummeson (1991) [11] stressed that reliability and user friendliness are important attributes in the evaluation of technology based services. Dabholkar (1994) [12], however, stipulates that there should be flexibility in the design of the technology to allow customers to make changes during the transaction and that banks should make customer service representatives available so that waiting time for the customer is reduced.

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#### D. Service Personal Values

Service personal values can be defined as a customer's overall assessment of the use of a service based on the perception of what is achieved in terms of his own personal values. As consumer behaviors serve to show an individual's values (Kahle, 1988) [13], the use of a service can also be a way to fulfill and demonstrate consumers' personal values.

#### E. Customer Service

Burgers et al. (2000) [14] explained customer service is which contains call center quality and problem solving. Customer service is an activity that increases the value. Customers are the heart of every successful business and therefore businesses need to more concentrate on customers more than ever.

#### F. Customer Satisfaction

Customers are always aiming to get maximum satisfaction from the products or services that they buy or use. Winning in today's marketplace entails the need to build customer relationship and not just building the products; building customer relationship means delivering superior value over competitors to the target customers (Kotler et al., 2002) [15].

#### G. Customer Loyalty

According to Heskett et al. (1994) [16] customer loyalty is measured using the purpose of the private banking service provider to recommend, the purpose of the private banking service provider to place additional funds with and the intention to switch. So loyalty will provide a repetitive buying of the same product or service despite the marketing efforts or situational effects.

### III. RESEARCH FRAMEWORK AND METHODOLOGY

#### A. Research Framework

Base on the reviewed literature in previous section, the researchers applied technology security & information quality, technology convenience, technology usage easiness & reliability, service personal values, customer service and customer satisfaction as independent variables. The dependent variable is customer loyalty. The framework is shown in Fig.1. There were 11 hypotheses formulated based on the framework and they are shown as follows:

H1: There is a significant relationship between technology security & information quality and customer satisfaction.

H2: There is a significant relationship between technology convenience and customer satisfaction.

H3: There is a significant relationship between technology usage easiness & reliability and customer satisfaction.

H4: There is a significant relationship between service personal values and customer satisfaction.

H5: There is a significant relationship between customer service and customer satisfaction.

H6: There is a significant relationship between technology security & information quality and customer loyalty.

H7: There is a significant relationship between technology convenience and customer loyalty.

H8: There is a significant relationship between technology usage easiness & reliability and customer loyalty.

H9: There is a significant relationship between service personal values and customer loyalty.

H10: There is a significant relationship between customer service and customer loyalty.

H11: There is a significant relationship between customer satisfaction and customer loyalty.

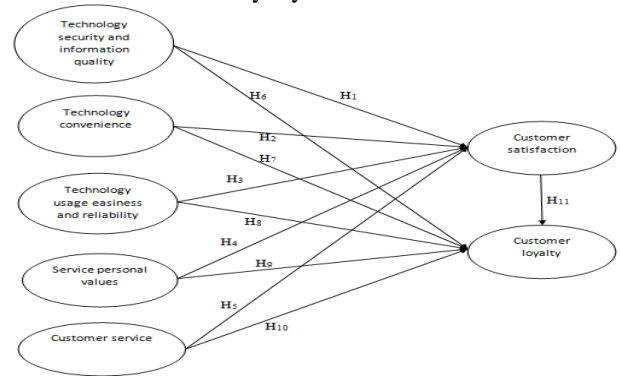


Fig.1 The factors affecting customer loyalty towards Kanbawza (KBZ) bank services in Yangon, Myanmar

#### B. Research Methodology

The purpose of this research is to investigate the factors affecting customer loyalty towards KBZ bank services in Yangon, Myanmar.

This paper describes six independent variables which are technology security & information quality, technology convenience, technology usage easiness & reliability, service personal values, customer service and customer satisfaction and their affects toward the dependent variable customer loyalty. All 400 research questionnaires which were distributed to target population in Yangon, Myanmar. The questionnaire was divided into four parts that represent screen question, six independent variables, the dependent variable and demographic factors. The researcher applied judgment, quota and convenience non-probability sampling. The researcher selected the descriptive research methodology instrument to evaluate each variable. This means that the outcome of the research would be described by examining the relationship between different variables.

#### Sampling procedure

The researcher applied the non-probability sampling method to find the sampling unit since the total population may not be available for this study. The probability sample is the process of probability sampling which is randomly chosen and non-probability sampling is the probability of a specific member of the population which is unknown information for the researcher. The sampling unit is an individual component or group of components which point to the selection of the sample. The researcher in this study applied Judgment sampling, Quota sampling and Convenience sampling to be the second and third step respectively; all details are follows:

### Step 1: Judgment Sampling

Judgment sampling or purposive sampling is non-probability technique in which an experienced individual selected the sample based upon some appropriate characteristic of the sample members. The judgmental function expresses agreement (JA) or disagreement (JD) and it involves choosing objects/samples that are believed will give accurate results. The researcher chose to conduct Judgment sampling on customers who have experienced in using more than 3 times of KBZ service in Yangon, Myanmar. This sampling technique is the most suitable in research in which broad population generalizations are not required.

### Step 2: Quota Sampling

Quota sampling is a non-probability sampling method and which is used in representing the subgroups of population. Quota sampling should be ensured that the various subgroups in a population are presented on pertinent sample characteristics and each category is included proportionately in the sample. In this research, the researcher selected the most crowded four branches of KBZ bank in Yangon, Myanmar for the collection of primary data.

### Step 3: Convenience Sampling

Convenience sampling is the sampling method used to gather information from people who are most conveniently available and it also called accidental or haphazard sampling. Convenience samples are often used in exploratory and descriptive research where time and money are critical constraints. Convenience sampling is beneficial to obtain a large number of completed questionnaires quickly and economically. Therefore, most of the researchers generally used convenience sampling to obtain a large number of completed questionnaires quickly and economically.

## IV. RESEARCH AND FINDINGS

The hypotheses testing, is supported by the conceptual framework. There are a total of eleven hypotheses which were tested in this research. Based on the research objectives, Pearson's Correlation analysis was used in this study. After analyzing the hypotheses, all the null hypotheses were rejected. The results are summarized as follows:

TABLE I  
SUMMARY OF HYPOTHESES TESTING

Hypothesis	Correlation value	Sig. (2-tailed)	Results
<b>H1:</b> There is a significant relationship between technology security & information quality and customer satisfaction.	00.449**	0.000	Reject H <sub>0</sub>
<b>H2:</b> There is a significant relationship between technology convenience and customer satisfaction.	00.692**	0.000	Reject H <sub>0</sub>
<b>H3:</b> There is a significant relationship between technology usage easiness & reliability and customer satisfaction.	00.605**	0.000	Reject H <sub>0</sub>
<b>H4:</b> There is a significant relationship between service personal values and customer satisfaction.	00.593**	0.000	Reject H <sub>0</sub>
<b>H5:</b> There is a significant relationship between customer service and customer satisfaction.	00.697**	0.000	Reject H <sub>0</sub>
<b>H6:</b> There is a significant relationship between technology security & information quality and customer loyalty.	00.392**	0.000	Reject H <sub>0</sub>
<b>H7:</b> There is a significant relationship between technology convenience and customer loyalty.	00.644**	0.000	Reject H <sub>0</sub>
<b>H8:</b> There is a significant relationship between technology usage easiness & reliability and customer loyalty.	00.559**	0.000	Reject H <sub>0</sub>
<b>H9:</b> There is a significant relationship between service personal values and customer loyalty.	00.653**	0.000	Reject H <sub>0</sub>
<b>H10:</b> There is a significant relationship between customer service and customer loyalty.	00.688**	0.000	Reject H <sub>0</sub>
<b>H11:</b> There is a significant relationship between customer satisfaction and customer loyalty.	00.850**	0.000	Reject H <sub>0</sub>

## V. SUMMARY AND CONCLUSION

The majority of respondents are female, aged between 21-30 years old, bachelor degree and a company staff with between 100,001-200,000 kyats income per month, respectively. For hypothesis testing, the data had been analyzed by using SPSS and Pearson Correlation Coefficient to test the hypotheses and find the results for this research.

As shown in Table 1, the results of all null-hypotheses from the Pearson Correlation Coefficient analysis show that the significant value is 0.000. It means that all null-hypotheses,

H1<sub>0</sub>, H2<sub>0</sub>, H3<sub>0</sub>, H4<sub>0</sub>, H5<sub>0</sub>, H6<sub>0</sub>, H7<sub>0</sub>, H8<sub>0</sub>, H9<sub>0</sub>, H10<sub>0</sub> and H11<sub>0</sub> were rejected. This result indicated that all variables had positive relationship with each other. It confirmed technology security & information quality, technology convenience, technology usage easiness & reliability, service personal values, customer service and customer satisfaction had significant influence on customer loyalty. The analyzed results indicated that good management of the related variables in this research can make young customers to be more loyal to KBZ bank.

## VI. RECOMMENDATIONS

According to the data analysis of this study, the result can help marketers not only to understand the Myanmar customer's loyalty towards KBZ bank service but also to gain more competitive advantages. Regarding to the research findings, the answers from the questionnaires of this research paper and based on the researcher's observation, the researcher would like to make some suggestion as follows;

According to the results of hypotheses one and six, the researcher found that technology security & information quality had a positive relationship with both customer satisfaction and customer loyalty. Although KBZ has been the majority bank in the commercial capital of Yangon, Myanmar, it still has some problems in ATMs and technology parts due to the amateur experience, electricity shortages and slow internet connection in Myanmar. The researcher wants to suggest, KBZ should provide their technology services to be more personalized, safer, less of fails and provide more information. By doing this, the bank would gain more satisfaction and loyalty from customers.

According to the results of hypotheses two and seven, the researcher found that technology convenience had a positive relationship with both customer satisfaction and customer loyalty. Since the description of convenience was in terms of not having to wait, lifestyle, household use, workplace use, not having to travel, personal safety, saved time and 24/7 access, the customers prefer to use their transactions by that way. Thus, the management should provide their services to the customers with more flexible, easier and more convenience. Moreover, KBZ should expand more ATM network not only in front of bank branches but also in populated area.

According to the results of hypotheses three and eight, the researcher found that technology usage easiness & reliability had a positive relationship with both customer satisfaction and customer loyalty. Generally, many customers have troubled to use technology services which affect how they shop for, buy and use technology products. Therefore, the management should provide no need to spend mass of time on their services and the easier way of how to use their services. Furthermore, KBZ should give some instructions that explain how to use technology services of KBZ to customers. The easier it is for the customer achieve his/her aim, the higher the chances that the customer will use the system in the future.

According to the results of hypotheses four and nine, the researcher found that service personal value had a positive relationship with both customer satisfaction and customer loyalty. Personal value is related to services which can improve to better customers' social relationship with family, friends and society. Therefore, their service should be easily supervised and any problems can be fixed easily and quickly which distinguished through customer complaints and comments. Furthermore, the significant issues should give full attention to the customer, being respectful, making eye contact and smiling and conveying a measure of importance.

According to the results of hypotheses five and ten, the researcher found that customer service had a positive relationship with both customer satisfaction and customer loyalty. Customer is a series of activities designed to enhance the level of customer satisfaction, that is, the feeling that a product or service has met the customer expectation. Therefore, the organizations must understand the importance of customer as its future or growth is concerned. Also, it must understand that its existence lies in the hands of the customer and therefore the company should make many efforts at all costs to attract, maintain and capture customers' satisfaction and customers' loyalty.

According to the result of hypothesis eleven, the researcher found that customer satisfaction had a very strong positive relationship with customer loyalty. Customers are always aiming to get maximum satisfaction from the products or services that they buy or use. Therefore, customers' needs should be anticipated in advance so that the bank can be helped out in a better way. With better understanding of customers' perceptions, bank can determine the actions required to meet the customers' needs.

## FURTHER RESEARCH

Further studies could be carried out to explore the customer loyalty and related factors regarding to technology security & information quality, technology convenience, technology usage easiness & reliability, service personal values, customer service and customer satisfaction at KBZ bank in Yangon, Myanmar.

The same approach can be replicated for other technology-based services like telecommunications, share trading and telemedicine. The application of the service quality dimensions identified in this study cannot be generalized as the researcher has taken only one industry (banking). In addition, more studies for future research would be beneficial for further understanding of customer loyalty in different banks.

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