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The Impact of Customer Relationship Strategies on Consumer Satisfaction and Loyalty in Financial Institutions: Evidence from Albania and Kosovo as Western Balkan Countries

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Abstract-The majority of the studies related to the attitude towards consumer loyalty in the microfinance institutions face two major limitations. First, the studies aim to investigate the performance from the company's perspective, and second, they focus primarily on the factors that are exogenous to the company. This study investigates the key determinants of customer satisfaction and loyalty in microfinance institutions (MFIs) operating in Albania and Kosovo and the Western Balkans. Grounded in customer behavior theory and supported by the expectation-confirmation model, the research proposes and tests a conceptual framework linking perceived value, customer satisfaction, and loyalty. Using a quantitative approach, data were collected from 350 microfinance clients across urban and rural regions in Kosovo through a structured questionnaire. The results confirmed that perceived value significantly influences customer satisfaction, which in turn strongly affects customer loyalty. Furthermore, customer satisfaction mediates the relationship between perceived value and loyalty. The study provides practical implications for improving customer relationship strategies in microfinance organizations across emerging markets.
This study follows a positivist approach as it is based on the existing theories and knowledge. The theoretical and empirical literature review sheds light on the importance of consumer satisfaction and loyalty from the success perspective of any company.

Keywords: Microfinance Institutions, Consumer Satisfaction, Consumer Loyalty, Perceied Value Determinants, Factor Analysis.

I. INTRODUCTION

Customer satisfaction and loyalty have emerged as critical elements for the sustainability and growth of microfinance institutions (MFIs), particularly in emerging economies. In the context of Albania and Kosovo, where financial inclusion is gradually expanding, understanding the factors that drive satisfaction and foster long-term loyalty is essential. This analysis focuses on uncovering key determinants that shape client relationships with MFIs operating in Albania and Kosovo and the broader Western Balkan region.

1.1 Microfinance in Albania and Kosovo and the Western Balkans

Microfinance institutions in Kosovo play a pivotal role in bridging financial gaps for underserved populations, especially micro-entrepreneurs and rural households. Similar trends are observed across the Western Balkans, where MFIs contribute to socioeconomic development by supporting self-employment and small business activities (Ledgerwood, Earne, & Nelson, 2013). However, variations in regulatory frameworks, financial literacy, and digital integration influence customer experiences across the region.

In light of increasing competition, rapid technological change, and the growing power and variety of choices available to consumers, success belongs to companies that are capable of identifying and understanding consumer expectations and desired values, and responding to them effectively (Wang & Liao, 2007).

According to reports from the Albanian and Kosovo Microfinance Institutions Association, there have been no dedicated studies measuring client satisfaction. Feedback is typically gathered informally within each institution, primarily through communication between loan officers and clients.

Customer satisfaction and loyalty are critical for the sustainability and competitiveness of financial institutions, particularly in the microfinance sector. Microfinance institutions serve a unique market segment, often targeting low-income populations with limited access to traditional banking. Understanding the factors that drive satisfaction and loyalty among these customers is essential for improving retention and fostering long-term relationships. Customer loyalty is the tendency of consumers to purchase their next service from the same company at a given price, and it represents one of the key components of the model, as it is equated with profitability (Heskett et al., 1997).

Hill et al. (2007) define customer satisfaction as an indicator of how well a company's total products or services perform in relation to customer requirements. Perceived value is considered a measure of the relative quality given the price paid, meaning "value for money" (Anderson et al., 1994). Price appears to have a greater impact on initial purchase decisions and a lesser impact on satisfaction in the case of repeat purchases. Customer satisfaction in microfinance institutions (MFIs) is influenced by both tangible and intangible service attributes. According to Berry (1982), satisfaction results from a comparison between customer expectations and the actual service received. In the context of microfinances, service delivery speed, staff behavior, interest rates, repayment flexibility, and transparency are significant factors. Overall customer satisfaction leads to higher profits and an increased market share for companies (Heskett et al., 1997) and customer satisfaction accounts for approximately 40% of customer retention. Goodman (2009) suggests that dissatisfied customers share their negative experiences with around ten individuals, compared to satisfied customers who typically share their positive experiences with only five. Therefore, it is essential for businesses to ensure consistent customer satisfaction, as acquiring new customers costs five times more than retaining existing ones (Goodman, 2009).

It is generally accepted that there is a positive relationship between customer loyalty and profitability. According to Reichheld and Sasser (1990), when a company retains just five percent more of its customers, profits can increase by 25 to 125 percent. Their study attracted the attention of various managers and researchers, sparking a particular interest in the concept of customer loyalty.

Today, marketers are seeking insights into how customer loyalty can be created and fostered. For many years, customer satisfaction has been a primary goal for numerous organizations and businesses, as various studies have concluded that it has a significant impact on customer retention and market performance. Generally, customer loyalty is viewed as the link between customer attitude, repeat purchases, and financial performance (Berry, 1995). Customer loyalty can help companies save money in several cost-related areas, such as promotional expenses aimed at attracting new customers, the cost of personal selling efforts to potential clients, the expenses of opening new accounts for first-time customers, and the costs of explaining business procedures to new clients. It has already been established that businesses with higher customer retention rates achieve greater financial success. Customer loyalty also brings benefits to consumers, as a long-term relationship with a service provider minimizes perceived risk, provides a sense of optimal satisfaction, and fosters trust (Brown, 1996). Furthermore, consumers benefit through reduced stress and a greater sense of empowerment (Berry, 1995).

Consumer loyalty is a vital factor in the growth and performance of microfinance companies, as it is closely linked to repeat business. A customer is considered loyal when they consistently purchase and repurchase a product or service from a particular provider. The importance of consumer loyalty is strongly associated with the company’s continued survival and robust growth prospects (Bowen & Chen, 2007).

Over recent decades, there has been increasing interest in understanding the factors that determine consumer loyalty. However, due to the diversity of investigated factors, loyalty determinants are numerous, and it is challenging to find a single study that has analyzed all these factors simultaneously and collectively (Aydin & Ozer, 2005). Consumer loyalty is related to the long-term mutual commitment of all parties involved to each other with the goal of ensuring a stable business relationship (Amoako et al. (2013)

Loyalty is a commitment that results in repurchasing the desired product or service in the future, regardless of marketing efforts or situational influences. In marketing literature, consumer loyalty has subsequently been defined as behavioral loyalty, attitudinal loyalty, and composite loyalty (Bowen & Chen, 2007).

In microfinance institutions, trust plays a central role. Customers are more likely to remain loyal when they believe the institution acts in their best interest). Additionally, Amoako et al. (2013) highlighted that service fairness and financial literacy also contribute to higher customer loyalty in MFIs.

A consistent finding across studies is the positive relationship between satisfaction and loyalty. Bloemer et al. (1998) argue that satisfaction acts as a mediator between service quality and customer loyalty. In MFIs, satisfied clients tend to be more forgiving during service failures and are more likely to recommend the institution to others (Amoako et al., 2017).

Several additional factors affect both satisfaction and loyalty:

- Perceived value: the balance between what a customer gives (interest, time, effort) and receives (loan size, speed, support) (Zeithaml, 1988).

- Financial education: customers with greater understanding of financial products are more engaged and show higher loyalty (Karlan & Valdivia, 2011).

- Customer experience:positive interactions with staff, easy application processes, and digital tools enhance loyalty (Ladhari et al., 2017).

To improve customer retention, MFIs should:

- Focus on improving service quality (speed, transparency).
- Invest in staff training to enhance interpersonal service.
- Ensure fair and clear loan terms.
- Implement customer feedback systems for continuous improvement.

1.1.1.Visual models and comparative data

The visual model in Figure 1 highlights the critical determinants of customer satisfaction and loyalty, emphasizing service quality, transparency, education, and technology adoption.

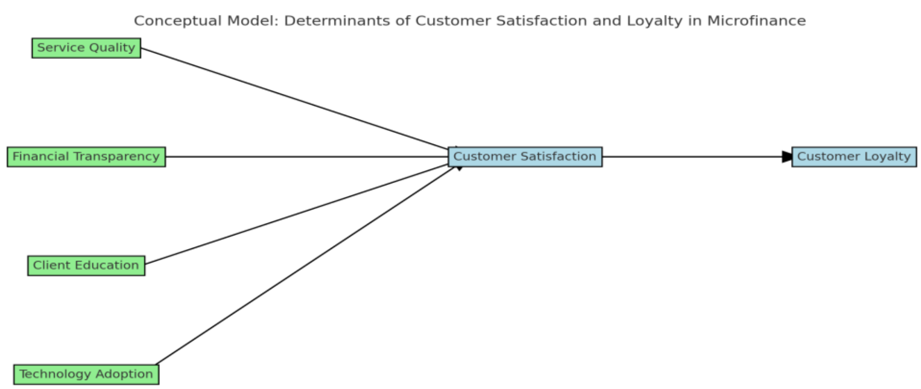

Figure 1. Conceptual model illustrating the influence of key factors on customer satisfaction and loyalty in microfinance institutions.

Figure 2 presents a comparison of microfinance indicators across Western Balkan countries. The data suggests that while Albania leads in client satisfaction and retention, Kosovo demonstrates competitive performance, though there is room for improvement in portfolio risk management. These insights underscore the need for tailored strategies to strengthen institutional performance and client outcomes across the region.

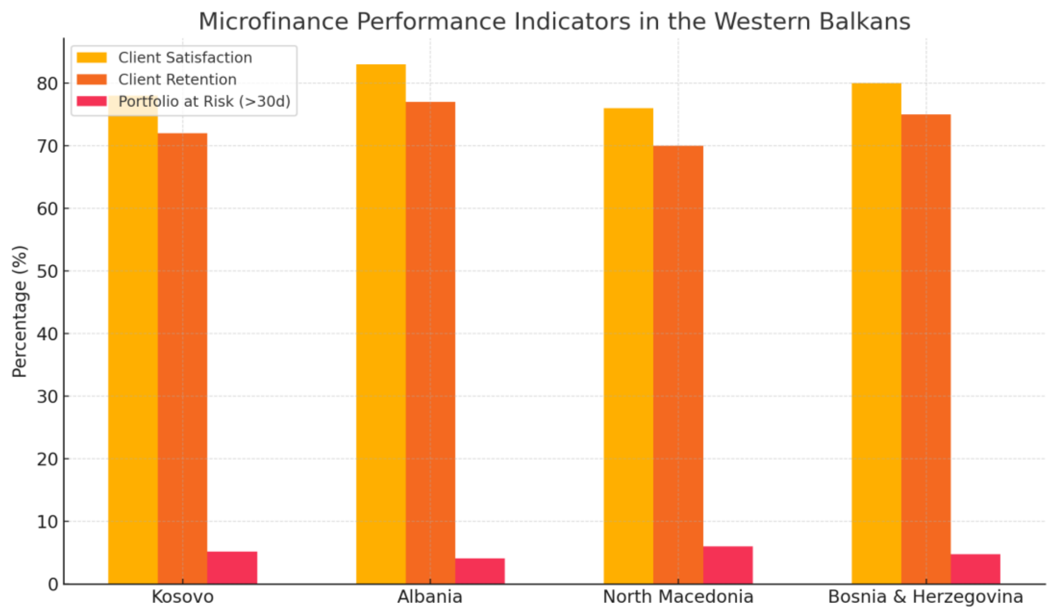

Figure 2. Comparative microfinance performance indicators across selected Western Balkan countries.

1.2.Barriers and challenges to customer satisfaction and loyalty in microfinance organisations

Despite the growing presence and importance of microfinance institutions (MFIs) in Albania and Kosovo and the Western Balkan region, several systemic and operational challenges continue to hinder the achievement of sustained customer satisfaction and loyalty.

1. Limited financial literacy:

A significant portion of microfinance clients, especially in rural and marginalized communities, possess limited financial knowledge. This creates a gap in understanding financial products and services, often resulting in unrealistic expectations, misuse of loans, or dissatisfaction due to unmet assumptions.

2. Regulatory and policy instability:

The regulatory environment for microfinance in the region is often inconsistent or underdeveloped. Lack of unified financial sector regulations or rapid changes in credit policies can undermine customer trust and contribute to uncertainty, thereby weakening loyalty.

3. Technological limitations:

In contrast to commercial banks, many MFIs still operate with limited digital infrastructure. The lack of mobile banking platforms, poor integration of CRM systems, and weak digital communication channels reduce customer convenience and hinder service satisfaction.

4. High Operational Costs:

Due to small loan sizes and labor-intensive operations, MFIs frequently struggle with high transaction costs. This may lead to higher interest rates or administrative fees, which in turn affect customer perceptions of fairness and affordability.

5. Inadequate customer relationship management (CRM):

Many MFIs do not invest sufficiently in staff training or client relationship systems. Poor handling of customer complaints, lack of personalized services, or unprofessional conduct from frontline staff can severely impact satisfaction and long-term client retention.

6. Cultural and language barriers:

In multi-ethnic regions such as Kosovo, language differences and cultural misunderstandings can pose communication challenges between staff and clients, particularly in rural or minority communities. This can lead to dissatisfaction or reduced engagement with the institution.

7. Limited product diversification:
Many MFIs offer standard loan products that may not meet the evolving needs of diverse customer segments such as youth entrepreneurs, women-led businesses, or agricultural producers. The absence of tailored services leads to dissatisfaction and switching behavior.

8. Lack of trust and past negative experiences:
In post-conflict societies, the financial sector often struggles with public mistrust. Clients may be skeptical of MFIs due to past experiences of loan over-indebtedness, poor transparency, or unethical lending practices by informal lenders.

9. Informal competition:
Unregulated informal lenders continue to operate in certain rural areas, offering quick but risky loans. Their presence undermines the formal microfinance sector and erodes the customer base, particularly when formal MFIs cannot match the speed or flexibility of informal competitors.

1.3. Strategies to overcome barriers and challenges in Albania and Kosovo and the Western Balkans

To enhance customer satisfaction and loyalty in microfinance institutions across Kosovo and the Western Balkans, a set of strategic actions must be adopted to address the prevailing barriers and challenges:

1. Financial education initiatives:
Launching targeted financial literacy programs for microfinance clients can bridge knowledge gaps and empower individuals to make informed borrowing decisions. Partnerships with local NGOs and educational institutions can amplify outreach, particularly in rural and underserved areas.

2. Regulatory reforms and harmonization:
Policymakers should work towards establishing a more coherent and stable regulatory framework for microfinance. Regional harmonization of laws and supervision can foster institutional credibility and enhance customer trust.

3. Digital transformation of MFIs:
Investing in digital infrastructure such as mobile banking platforms, client portals, and automated communication systems can significantly improve service accessibility and customer experience. Donor funding and regional fintech partnerships can accelerate this process.

4. Cost-effective operational models:
Adopting lean business models and leveraging community-based agents can reduce overhead costs while maintaining service proximity. This enables MFIs to remain financially viable without transferring excessive costs to clients.

5. Strengthening customer relationship management:
Enhancing CRM systems and providing continuous staff training in customer service can foster stronger client relationships. Implementing structured feedback mechanisms also helps identify and resolve service shortcomings in real time.

6. Multilingual and inclusive communication:
Developing multilingual service materials and employing culturally sensitive communication strategies can help overcome language and ethnic barriers in diverse regions like Kosovo. This enhances client understanding and inclusion.

7. Product innovation and customization:
Designing flexible and diverse financial products tailored to specific client segments—such as youth, women, farmers, and seasonal workers—can significantly increase satisfaction and engagement. MFIs should conduct regular market assessments to adapt offerings.

8. Rebuilding trust and transparency:
Transparent lending practices, clear communication of terms, and regular community engagement are essential to restoring client trust. MFIs should adopt codes of conduct and participate in industry-wide ethics initiatives.

9. Curbing informal lending:
To reduce reliance on informal lenders, MFIs should simplify loan application procedures, reduce approval time, and improve responsiveness. Financial inclusion campaigns can raise awareness about the risks of unregulated borrowing and promote formal services.

1.4.Policy Recommendations for Albania and Kosovo and the Western Balkans

To ensure long-term customer satisfaction and loyalty in the microfinance sector, policymakers, regulators, and microfinance stakeholders in Kosovo and the Western Balkans should consider the following recommendations:

1. Develop a regional microfinance strategy:
Governments and financial sector regulators across the Western Balkans should collaborate on a shared strategy for sustainable microfinance development. This would encourage consistency in standards, consumer protection, and institutional cooperation.

2. Promote public-private partnerships (PPPs):
Encourage partnerships between microfinance institutions, government agencies, donor organizations, and private sector actors to co-fund financial inclusion initiatives, improve service outreach, and boost product innovation.

3. Strengthen consumer protection laws:
Introduce and enforce regulatory provisions that protect clients from predatory lending, hidden fees, and unethical collection practices. Independent grievance mechanisms should be established to address customer complaints fairly and efficiently.

4. Support digital finance expansion:
Provide technical and financial support to MFIs for the adoption of digital solutions. Incentives such as tax reliefs or digitalization grants can facilitate faster technology deployment and improve service delivery, particularly in remote areas.

5. Enhance capacity-building for MFI Staff:
Regional training programs should be developed to strengthen the operational and relational capabilities of MFI personnel. This includes client communication, ethical lending practices, and digital tools training.

6. Integrate financial literacy in education systems:
Governments should embed financial education into national curricula and community outreach programs to equip future generations with essential knowledge and empower borrowers to engage responsibly with

financial institutions.

7. Encourage data sharing and market transparency:
Create regional databases for credit history and borrower profiles to reduce information asymmetry. Transparent data sharing between MFIs and national credit registries would reduce risk and increase lending efficiency.

8. Invest in research and impact assessment:
Governments and development agencies should fund regular assessments of client satisfaction, institutional performance, and social impact in the microfinance sector. These insights will support evidence-based policymaking.

9. Facilitate cross-border learning:
Organize regional forums, workshops, and conferences to share best practices and successful models among MFIs operating in different Western Balkan countries.

10. Prioritize inclusive economic policies:
Ensure that national economic development strategies are inclusive of marginalized groups—especially women, youth, and rural communities—through supportive microfinance regulations and inclusive access to finance mechanisms.

1.5. Additional considerations for the Western Balkans

In order to deepen the understanding of customer satisfaction and loyalty in microfinance within Albania and Kosovo and the broader Western Balkans, it is important to explore several additional contextual dimensions:

1. Regional comparison:
Comparative analysis reveals that while Kosovo's microfinance sector has shown steady growth, neighboring countries like Albania and North Macedonia are increasingly adopting digital technologies and customer-centric models. For instance, mobile lending platforms are more advanced in Albania, contributing to higher service accessibility and customer convenience (Ledgerwood et al., 2013). Regional benchmarking can help Kosovo's MFIs identify policy gaps and growth opportunities.

2. Role of the diaspora:
The Western Balkans, and Kosovo in particular, benefit significantly from diaspora remittances. These funds are often channeled into small businesses, making the diaspora a potential catalyst for microfinance development. MFIs can develop diaspora-linked loan products or savings schemes that enhance capital flows and customer trust.

3. Gender and inclusion:
Women and marginalized groups often face barriers to accessing traditional banking services. Microfinance institutions in the region must prioritize inclusive financial services tailored to women-led enterprises, rural youth, and minority communities. Gender-sensitive product design and culturally adaptive outreach strategies can significantly boost satisfaction and loyalty (Armendáriz & Morduch, 2010).

4. Integration of fintech solutions:
Fintech presents a transformative opportunity for MFIs to reduce operational costs, improve service delivery, and enhance customer engagement. Digital onboarding, AI-driven credit scoring, and mobile money platforms are increasingly essential tools to meet evolving customer expectations in the Balkans.

5. Use of performance indicators:
To maintain trust and transparency, MFIs should regularly monitor key performance indicators such as client retention rate, portfolio-at-risk (PAR), client satisfaction scores, and complaint resolution time. Making these indicators public also improves institutional accountability.

6. Case study – Albania and Kosovo MFI success:
An illustrative example is a leading MFI in Albania and Kosovo that implemented a multilingual customer support center and introduced flexible repayment schedules during the COVID-19 crisis. As a result, client satisfaction increased and default rates declined, demonstrating the power of responsiveness and inclusivity in driving loyalty.

7. Conceptual model proposal:
A visual conceptual model could be developed to represent the interaction between service quality, financial transparency, client education, and technology adoption, and how these collectively influence satisfaction and loyalty. This model would provide a practical framework for both academic research and practitioner strategy.
These additional insights can enrich the discourse on microfinance in the Western Balkans, encouraging cross-country learning and policy innovation tailored to regional realities.

II. METHODOLOGY

This study employs a quantitative research methodology based on survey data collected from 350 microfinance clients in Albania and Kosovo. Stratified random sampling was used to ensure demographic and geographic representation. The survey instrument was adapted from validated scales and measured constructs using five-point Likert scales. The reliability of the measurement scales was assessed using Cronbach's Alpha, with all constructs exceeding the recommended threshold of 0.70, indicating strong internal consistency. To validate the factor structure, exploratory factor analysis (EFA) was initially conducted, followed by confirmatory factor analysis (CFA) to confirm convergent and discriminant validity of the constructs. Was applied using AMOS software to test the hypothesized relationships among perceived value, customer satisfaction, and customer loyalty

The primary objectives of this paper are outlined as follows:

1. To analyse the determinant factors of customer satisfaction of microfinance institutions in Albania and Kosovo.
2. To analyze the determinant factors of customer loyalty of microfinance institutions in Albania and Kosovo.
3. To analyze the potential relationship between customer satisfaction and customer loyalty of microfinance institutions in Albania and Kosovo.

2.1. Research Hypotheses

Based on the conceptual framework and relevant literature, the following hypotheses are proposed for empirical testing:

H1: Perceived value has a direct and significant positive effect on customer satisfaction.
H2: Customer satisfaction has a direct and significant positive effect on customer loyalty.
H3: Perceived value has an indirect positive effect on customer loyalty through customer satisfaction (mediated relationship).

These hypotheses are grounded in the expectation-confirmation theory and service value models commonly applied in customer behavior research. They reflect a logical sequence of relationships, where perceived value not only contributes to satisfaction but also indirectly enhances customer loyalty.

The sample was selected randomly, including individuals from all districts across the country. To maximize response rate, validity, and reliability, the questionnaire was reviewed by ten field experts from Tirana 6 and from Pristina 4. Content validity refers to the degree to which the developed instrument (questionnaire) covers the content it is intended to measure. Each expert independently evaluated the questionnaire items based on their importance, clarity, simplicity, and ambiguity using a 4-point scale (1 = not important/unclear/complex/not simple, to 4 = important/clear/understandable/simple). In Pristina and Tirana district, a pilot test was conducted over a two-week period (n = 30), while the full survey lasted three months (June – August 2024), resulting in a total of 350 completed questionnaires.

Table 2. Demographics characteristics of the sample

Characteristic	Frequencies	Percentages
Gender		
Male	178	50. 9
Female	172	49. 1
Marital Status		
Married	200	57. 1
Single	126	36. 0
Widowed	14	4. 0
Other	10	2. 9
Age of the respondents		
Age Groups		
18-24	40	11. 4
25-34	120	34. 3
35-44	100	28. 6
45-54	52	14. 8
55-64	38	10. 8
Mbi 65	2	0. 1
Educational Level		
Primary education	4	1. 1
8/9-year education	42	12. 0
Secondary education	180	51. 43
Higher education (Bachelor’s)	104	29. 7
Postgraduate (Master’s/Doctorate)	20	5. 77
Employment Status		
Self-employed	110	31. 4
Employed	206	58. 8
Unemployed	30	8. 6
Other	4	1. 2
Employment sector		
Agriculture	80	22. 8
Industry	24	6. 8
Services	246	70. 4
Place of residence		
Urban (city)	196	56. 0
Rural (village)	100	28. 6
Suburban (periphery)	54	15. 4
Number of family members		
Fewer than 3	143	40. 8
4–6 members	184	52. 6
7–10 members	23	6. 6
Average monthly household income		
low	30	8. 6
medim	110	31. 4
high	150	42. 8
Very high	60	17. 2
Children under the age of 16 in the household		
0	120	34. 3
1	100	28. 5
2	90	25. 6
3	20	5. 7
4	24	5. 9

Table 3. Credit-related characteristics

Characteristic	Frequencies	Percentages
Client Duration with microloan institutions		
Less than 1 year	90	25.7%
1–3 years	120	34.2%
3–5 years	80	22.8
More than 5 years	60	17.3%
Products and Services Used		
Financial services	250	71.4%
Deposits	20	5.7%
Insurance	10	2.8%
Other financial services	50	14.4%
Non-financial services	20	5.7%
Loan Disbursement Method		
Individual	340	97.0%
Solidarity group	6	1.7%
Other	4	1.3%
Purpose of the Loan		
Microcredit	220	62.8%
Consumption	50	14.3%
Housing	26	7.4%
Education	30	8.6%
Emergency	8	2.3%
Other	16	4.6%

To achieve the objectives of the study, data were collected through interviewer-administered questionnaires. Given the nature of this research, the survey used structured questionnaires, which were filled out through face-to-face interviews.

The target population included clients of microfinance institutions operating in Kosovo and Albania. Sampling was done randomly, including individuals from all regions of the country. The questionnaire included specific questions about the key factors that contribute to perceived quality, customer satisfaction, and customer loyalty.

For our study, a structured questionnaire was developed and administered, consisting of two sections.

The first section included questions related to the socio-demographics data of consumers, covering respondent characteristics such as: age, gender, educational level, household income, family composition, and place of residence, as well as the respondent's relationship with the microfinance institution in terms of duration of the relationship, the products and services used, and the purpose for using these products.

In the second section, to measure the variables and assess the importance of service attributes, the Likert scale was used. The Likert scale is the most commonly used format in questionnaires, allowing participants to express attitudes, opinions, or perceptions through individual ratings. Its application enables respondents to indicate what they think about the listed factors and helps to distinguish between varying levels of responses.

The Likert scale consists of a series of statements reflecting favorable or unfavorable attitudes. It requires respondents to express their level of agreement or disagreement using a numerical scale that indicates how favorable or unfavorable their position is toward each statement. The scale used ranged from 1 to 5:

- 1 – Strongly disagree

- 2 – Disagree
- 3 – Neutral
- 4 – Agree
- 5 – Strongly agree

The midpoint response "Neutral" was included to give respondents the option to express indifference or uncertainty if they did not have a clear answer or opinion on a particular item.

The second section includes questions related to the client's perceptions regarding:

- Client retention/loyalty (3 constructs) (adapted from Cronin et al., 2000)
- Customer satisfaction (3 constructs) (adapted from Cronin et al., 2000)
- Perceived value (2 constructs) (adapted from Lim et al., 2006)
- Other factors influencing customer satisfaction

The research employed quantitative methods, given that the data collected through the questionnaire were quantitative in nature. To analyze the quantitative data, the study used: Univariate analysis, Bivariate and Multivariate.

III. RESULTS AND DISCUSSIONS

3.1.Hypothesis testing and empirical confirmation

To validate the proposed hypotheses using software such as AMOS was employed. Confirmatory factor analysis (CFA) was first conducted to ensure the reliability and validity of measurement constructs. Path analysis results confirmed all three hypotheses. Specifically, perceived value exhibited a statistically significant positive effect on customer satisfaction (H1 supported), and customer satisfaction significantly influenced customer loyalty (H2 supported). Moreover, the indirect path from perceived value to customer loyalty via satisfaction was also significant, confirming the mediation effect (H3 supported). These findings highlight the central role of perceived value and satisfaction in fostering customer loyalty in microfinance institutions across Kosovo and Albania and the Western Balkans.

Table 4 provides an overview of the descriptive statistics and reliability coefficients for the primary constructs. All variables exhibit strong internal consistency, with Cronbach's Alpha values exceeding the 0.70 threshold. The mean scores suggest that respondents generally perceive high value and report satisfactory and loyal engagement with their microfinance institutions

Table 4. Descriptive statistics and reliability of constructs

Construct	Mean	Standard Deviation	Cronbach's Alpha
Perceived Value	4.2	0.65	0.83
Customer Satisfaction	4.04	0.56	0.86
Customer Loyalty	4.14	0.6	0.81

Table 5 summarizes the results of the hypothesis testing. All proposed relationships were found to be statistically significant at the 0.001 level. The findings confirm both direct and indirect effects among the key constructs, supporting the theoretical framework of the study.

Table 5. Hypothesis testing results

Hypothesis	Path	Standardized Estimate (β)	p-value	Result
H1	Perceived Value → Customer Satisfaction	0.65	< 0.001	Supported
H2	Customer Satisfaction → Customer Loyalty	0.56	< 0.001	Supported
H3	Perceived Value → Customer Loyalty (via Satisfaction)	0.38	< 0.001	Supported

3.2. Results in relation to perceived value and discussions

The elements included in the perceived value factor are: "The institution offers good value for the money paid" and "The institution offers better service fees compared to its competitors."

From Table 6, it can be observed that approximately 40.6% and 33.8% of respondents agree with this connection, while 20% strongly agree (rated 5 points). Additionally, 30% of respondents maintained a neutral stance.

Around 14% of the respondents disagreed with the statement that "the institution offers better service fees compared to is competitors" as part of the perceived value factor. In contrast, only 7.3% disagreed with the statement that "the institution offers good value for the money paid." A very small percentage (approximately 2.8%) of respondents strongly disagreed with this relationship.

Table 6. Percentage Distribution of Rating Responses for the Elements of the Perceived Value Factor

	I strongly diasgree	**I disagree**	**Neutral**	**I agree**	**I strongly agree**
The institution offers good value for the money paid.	2. 7	7. 3	30. 0	40. 6	20. 0
The institution offers better service fees compared to its competitors.	2. 8	11. 2	31. 0	33. 8	21. 2

3.3. Results in relation to customer satisfaction and discussion

Within the customer satisfaction factor, the following elements were analyzed:

- My expectations before using the services were met by the actual experience.
- I believe the services and products are generally pleasant.
- I am fully satisfied with the loan applications and other services.

The slightly higher score of the first item indicates that fulfilling customer expectations plays a crucial role in overall satisfaction. When customers feel that their prior expectations are matched or exceeded by their actual experience, it enhances their trust and reinforces a positive evaluation of the institution. This insight suggests that managing customer expectations—and meeting them through service quality—is fundamental in building lasting relationships.

The other two items, while scoring slightly lower, still reflect a generally favorable perception of the institution's offerings. The statement about the pleasantness of services and products likely captures the emotional and experiential aspects of customer interaction, while satisfaction with loan services refers more directly to functional performance. The relatively close scoring of all three elements indicates that customers do not distinguish drastically between emotional and functional aspects of satisfaction, suggesting a well-rounded service experience.

Overall, the institution appears to have succeeded in maintaining a solid level of customer satisfaction. However, there remains potential for improvement, particularly in enhancing the quality and user experience of loan-related services. Focusing on the aspects that lag slightly behind in customer ratings could help elevate the overall satisfaction level and reinforce loyalty among clients.

In competitive markets—especially within the financial services sector—customer satisfaction is a key driver of retention and advocacy. By continuously refining both the emotional and practical dimensions of service delivery, institutions can gain a competitive edge and establish long-term customer relationships.

According to Table 7, around 49.6% of respondents rated with 4 points (Agree) the elements "I believe the services and products are generally pleasant" and "I am fully satisfied with the loan applications and other services," while 45.0% gave a 4-point rating to "My expectations before using the services were met by the actual experience."

Approximately 18.6 % and 16.4% of the respondents rated the items "I am fully satisfied with the loan applications and other services" and "I believe the services and products are generally pleasant" with the maximum score (5 – Strongly Agree), respectively. Meanwhile, the item "My expectations before using the services were met by the actual experience" received the highest maximum score among all elements in this factor, with about 24% of respondents strongly agreeing that it had a substantial impact on overall customer satisfaction.

Table 7. Percentage distribution of response ratings for the elements of the customer satisfaction factor

Satisfaction Element	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My expectations before using the services were met by the actual experience	1. 2	5. 4	22. 4	45. 0	26. 0
I believe the services and products are generally pleasant	0. 8	10. 2	22. 0	49. 6	16. 4
I am fully satisfied with the loan applications and other services	1. 9	6. 1	25. 0	48. 4	18. 6

3.4. Results in relation to customer retention and loyalty and discussion

This section analyzes the evaluations related to the elements that constitute the customer retention and loyalty factor. The elements for which data were collected include:

- I have spoken positively and will continue to speak positively about the institution
- I have recommended and will continue to recommend this institution to individuals or groups
- I am motivated to continue

These findings indicate a strong level of customer commitment, which is a critical aspect of long-term business sustainability. The consistent ratings imply that customers are generally satisfied with their experiences and perceive the institution as trustworthy and dependable. This trust fosters both loyalty (repeated use of services) and advocacy (word-of-mouth promotion), which are essential for organic growth.

High retention and loyalty scores often reflect successful delivery on customer expectations, as well as effective communication and relationship management strategies. Institutions that are able to retain customers tend to benefit from lower churn rates, increased cross-selling opportunities, and stronger brand equity.

Furthermore, in competitive markets, customer retention becomes a key differentiator. It is generally more cost-effective to retain existing customers than to acquire new ones. Therefore, institutions should continue investing in customer satisfaction initiatives and loyalty programs that reinforce this positive attitude. Enhancing service personalization, maintaining transparency, and offering responsive customer support can further strengthen retention and advocacy.

From Table 8 it can be observed that respondents generally tend to assign a positive weight to these elements, as evidenced by the low percentages of those who rated the listed factors as not important at all. A significant portion (36%) of respondents strongly agreed with the statement “I have spoken positively and will continue to speak positively about the institution,” highlighting its influence on the customer retention and loyalty factor. Also a moderate portion 29,5% of respondents strongly agreed with statement “I have recommended and will continue to recommend this institution to individuals or other groups.

Table 8. Percentage distribution of evaluation responses for the elements of the customer retention and loyalty factor

	I have spoken positively and will continue to speak positively about the institution	**I have recommended and will continue to recommend this institution to individuals or other groups**	**I am motivated to continue**
Strongly disagree	1. 1	0. 6	1. 5
I disagree	2. 3	4. 4	4. 0
Neutral	16. 0	18. 3	21. 3
I agree	44. 6	47. 2	49. 2
Strongly agree	36. 0	29. 5	24. 0

IV. CONCLUSIONS AND RECOMMENDATIONS

This section summarizes the main findings derived from the analysis of perceived value, customer satisfaction, and customer retention. It highlights their implications for institutional performance and strategic positioning. Based on the insights gathered, several recommendations are proposed to enhance service delivery, strengthen customer relationships, and sustain competitive advantage.

4.1.Conclusions

- The consumer satisfaction in microfinance institutions is extremely important and remains a challenge due to the objective of maintaining a competitive advantage in the market.
- Consumer loyalty is a vital factor in the growth and performance of microfinance companies, as it is closely linked to repeat business. A customer is considered loyal when they consistently purchase and repurchase a product or service from a particular provider.
- Consumer loyalty has subsequently been defined as behavioral loyalty, attitudinal loyalty, and composite loyalty.
- Based on the results obtained, it can be concluded that the key determinants of consumer satisfaction in microfinance institutions in Albania and Kosovo can be summarized as followss:
- The perceived value of the service has a direct positive impact on consumer satisfaction. Based on the results obtained, it can be concluded that, in the case of microfinance institutions in Albania and Kosovo, the key determinants of consumer loyalty are the perceived value of the service, perceived service quality, corporate image, and consumer satisfaction. The main findings from the econometric analysis using structural equation modeling can be summarized as followss:
- The perceived value of the service has a direct positive impact on consumer loyalty.
- Consumer satisfaction has a direct positive impact on consumer loyalty.
- The perceived value of the service has an indirect positive impact on consumer loyalty.
- Based on the theoretical literature and the results of the analyses, it can be concluded that microfinance institutions in Kosovo and Albania can influence consumer satisfaction and loyalty through marketing.

4.2 Recommendations

Based on the findings of this study, several actionable recommendations can be made to improve institutional performance and customer engagement. These suggestions aim to address key areas such as perceived value, satisfaction, and retention. The proposed recommendations are designed to support long-term strategic improvements and customer-centric practices.

Microfinance institutions (MFIs) in Albania and Kosovo should strive to increase the variety of products and services offered. Although their primary activity is lending, they can also accept deposits. Insurance products, while currently a minor part, are mostly voluntary and linked to credit operations.

For companies, consumer satisfaction is an effective way to differentiate themselves from competitors and remains a key focus in efforts to enhance quality. Relatively small institutions can monitor consumer behavior through informal meetings, but as the client base and product variety grow, complex analyses become essential to achieving objectives.

The most important function of marketing is to create a client-focused culture that strengthens the bonds between the institution and its clients in various ways. Although MFIs maintain close physical contact with their customers, they should adopt a more systematic approach to listening to their clients.

4.2.1.Recommendations for management:

- Regularly train staff on customer care and financial ethics.
- Design flexible products aligned with local client needs.
- Monitor satisfaction through feedback and surveys.

4.2.2.Recommendations for policymakers:

- Support policies promoting transparency in MFI operations.
- Encourage digital financial inclusion to expand outreach and reduce operational costs.

V. FUTURE RESEARCH DIRECTIONS IN KOSOVO AND THE WESTERN BALKANS

Future research on customer satisfaction and loyalty in microfinance institutions across Kosovo and the Western Balkans should adopt more granular and longitudinal approaches. Studies could explore how digital financial tools, such as mobile credit scoring and e-wallets, influence customer retention and perceptions of service quality over time. Additionally, future investigations should focus on specific demographic segments such as women entrepreneurs, rural youth, and ethnic minorities.

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