Marketing Strategies of Microfinance Institutions within Kwara Metropolis of Nigeria: Case of Kwara Institutions

Kareem Jimba [1] and Gboyega E. Babalola [2]

Abstract

This study focuses on identifying whether microfinance institutions (MFIs) within Kwara metropolis use marketing approaches and strategies in savings mobilisation and credit delivery. The basic source of data for this study is primary data. The data were collected from the credit officers and in some cases management team of the microfinance institutions. Descriptive statistics were employed for the analysis of the data. Concerning their marketing objectives, mission statements, strategy and approaches, the study found that the selected microfinance institutions are not market-oriented in the delivery of their services. Among the recommendations made are that MFIs should create marketing departments, fashion out customer service packages, and strengthen their marketing planning capabilities especially as these border on the creation of environmental awareness.

Keywords: Microfinance, marketing strategies, savings mobilisation, credit delivery

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1. Department of Accounting, College of Social and Management Sciences, Afe Babalola University, Ado-Ekiti, Ekiti State, Nigeria; jimbaik@abuad.edu.ng
2. Department of Business Administration, College of Social and Management Sciences, Afe Babalola University, Ado-Ekiti, Ekiti State, Nigeria; gboyegababalola@abuad.edu.ng

Introduction

The good culture of saving-up by households is widely recognised as a global phenomenon. People save because they want to protect themselves against unexpected crisis, meet their social obligations, accumulate a fund for investment, and meet future consumptions. However, regardless of the adduced reasons for savings, while the rich in society, as well as medium and large-scale enterprises are judged to be comparatively creditworthy, the poor in society are constrained in accessing savings and credit facilities offered by formal financial institutions (Cravens, 1991). The explanation for this is the fact that commercial banks perceive that doing business with the poor and micro-enterprises is expensive and highly risky. Microfinance institutions have therefore become the main source of funding for the poor and micro-enterprises. They bridge the savings and credit gap and assist the poor and micro-businesses to have access to savings and credit facilities.

By definition, the term "microfinance" refers to small financial transactions, with poor households and micro-businesses employing unorthodox approaches (non-standard approaches). Such procedures include character-based lending, group guarantees and short-term repeat loans. These allow the poor have access to financial services (savings and credit facilities). In a broader perspective, microfinance includes the offer of small financial services and the management of small amounts of financial resources through an array of financial products and a system of intermediary functions that are targeted at low-income earners (United Nations, 2000, 2005). Services offered by microfinance institutions include offering loans, storing savings, provision of insurance, offering of transfer services and other financial products and services.

It is widely accepted that micro-financing plays a very important role in improving the living conditions of the poor by making it possible for them to have access to productive resources, with financial services being a key resource. Such resources can be channelled into income-generating activities and consequently enhance employment for the poor. Microfinance is also recognised as making a significant impact on cross-cutting issues such as women empowerment, reduction of the spread of HIV/AIDS and environmental degradation as well as improvement of access to social services like health, education and housing by the poor and vulnerable. It is a tool that creates access to productive capital for the poor and, which if complemented with human capital, tackled through education and training, and social capital, enables the people to move out of poverty (CBN, 2007).

Institutions involved in microfinance services in Nigeria can be grouped into formal (rural and community banks and savings and loans companies), semi-formal (Credit unions) and informal (Susu savings collector, rotating savings and credit associations, savings and credit clubs, money lenders, trade creditors, self-help groups and personal loans from friends and relations) (Steel and Andah, 2003). Concerning their sources of finance, most of the microfinance institutions mobilise their funds, while the nongovernmental organisations normally depend on government and donor partners.

In spite of the important roles played by institutions involved in microfinancing, the industry has been faced with enormous challenges and constraints that partly account for the slow growth of the industry (CBN, 2007). One basic challenge is the inability of microfinance institutions reaching a greater number of poor clients. The survey carried out by the Consultative Group to Assist the Poor (CGAP) indicated that microfinance practitioners estimate that over 500million poor people worldwide demand financial services, but only a small proportion of these people have access. The task of building a viable and sustainable microfinance industry to meet this massive demand poses an exciting yet daunting challenge.

By implication, microfinance institutions serve just a little fraction of poor households and micro-enterprises in Nigeria although the industry seems to be expanding. One piece of information missing in most empirical studies on micro-financing in Nigeria is the marketing orientation of microfinance institutions. Second, it is an acknowledged fact that, for any given organisation that finds itself operating in an environment of an increasing number of microfinance operators, it becomes more difficult to get the firm's product noticed and for potential clients to do business with her without a good marketing mindset, which entails being being customerfocused. The use of good marketing approaches and strategies by microfinance institutions in promoting their products will not only attract more new customers but also ensure a viable and sustainable microfinance industry in the country. This study will, therefore, seek to find out whether microfinance institutions use marketing approaches and strategies in reaching the productive poor.

Objectives of the Study

The main goal of the study is to identity whether microfinance institutions within Nigeria use marketing strategies in savings mobilisation and credit delivery. More specifically, this study has the following objectives:

i. Assess the marketing orientation among microfinance institutions in Nigeria;
ii. Examine the application of marketing programmes in the mobilisation of savings and delivery of credit among microfinance institutions.

Literature Review

Microfinance in Nigeria

CBN (2007) indicates that microfinance is not a new concept in Nigeria, but a practice that was common among the people before independence. The CBN report indicates that unreliable evidence suggests the probable establishment of the first credit union in Africa in Northern Nigeria in 1955 by Canadian Catholic missionaries. On the other hand, it is contemplated that susu, which is one of the present-day microfinance schemes in Nigeria originated in Nigeria and spread to Ghana from the early 1900 s. Over the years, micro-financing has blossomed and evolved into its current state courtesy of the various financial sector policies and programmes such as the provision of subsidised credits, establishment of rural and community banks (RCBs), the liberalisation of the financial sector and the promulgation of the Financial Development Act 328 of 1991, that allowed the establishment of different types of non-bank financial institutions, including savings and loans companies, finance houses, and credit unions, among others. At present, there are three main kinds of microfinance institutions operating in Nigeria. These comprise the formal suppliers of microfinance (that is rural and community banks, savings and loans companies, commercial banks), the semi-formal suppliers of micro-finance (that is credit unions, financial non-governmental organisations [FNGOs], and cooperatives), and the informal suppliers of microfinance. (for example, susu collectors and clubs, rotating and accumulating savings and credit associations [ROSCAs and ASCAS], traders money lenders and other individuals).

Marketing Strategies

Many studies have attempted to identify the key features or marketingoriented companies. For instance, Konii and Jawroski (1990) recognised that marketing orientation entails: one or more departments engaging in activities geared towards developing an understanding of customer's current and future needs and factors affecting them; sharing of this understanding across departments; and the various departments engaging in activities designed to meet selected customers' needs. Narver and Slater (1990) also developed a model that highlights the key components of marketing orientation. They claim that a marketing-oriented organisation ought to demonstrate five characteristics: Long-term profits as opposed to a shortterm perceptive; organisational culture- a culture that facilitates organisational learning; inter-functional coordination where all aspects of the business strive to create value; competitor orientation- having an awareness of competitors' capabilities; customer's orientation that enables an organisation to better meet the needs of customers.

According to Carlson (1990), the mission and objectives of an organisation or institution need to be considered before the preparation and designing of marketing strategies and approaches. Drucker (1974) considers an effective mission to be focused on markets rather than products. In other words, the mission statement should focus on an extensive set of needs that the institution is looking for to satisfy (that is the external focus). Drucker argues that the mission and purpose of every business organisation are to satisfy the customer. Consequently, the goal to which all marketing activities in the microfinance institution are to be directed over the planning period then becomes the marketing objective of the institution. It must reveal the anticipated achievements in sales, market-share, profitability, cash flow and liquidity, portfolio balance, among others, in a specified timeframe (Drucker, 1990). Such objectives must be expressed in terms of markets and products. On the realisation of marketing objectives, Kotler (1994) indicates that marketing strategies are directly linked to marketing approaches or programmes adopted by the microfinance institution. Until the marketing strategies are translated into marketing programmes, the marketing objectives of the micro finance institution cannot be realised.

Kotler (1994) suggests that in developing the market strategy, the major concerns that need to be considered are the mission analysis; market segmentation, competitive differentiation and positioning; and matching assets with customer's needs. According to Kotler, mission analysis has two sides. These are customer missions and key-value missions. Customer missions focus on customers' needs the microfinance institution is dealing with and defines the domain or part of the world in which the microfinance institution is going to compete. Key-value mission, on the other hand, has to do with what is important within the business, or how things are going to be operated or simply what the microfinance institution wants people to see as important, for example, service, quality etc. It identifies the key values, goals and constraints that the microfinance institution wants people to share in running the business. In Kotler's (1994:2) work, market segmentation is defined as the "subdividing of a market into homogeneous subsets of the customer, where any subset may conceivably be selected as a market target to be reached with a distinct marketing mix." It is a fundamental concern of strategy with far-reaching effects; it determines the allocation of sales force efforts, the distribution channels to use, advertising media and the most productive ways of communicating with customers.

In discussing competitive strategies, Porter (1985) identifies two sources of competitive advantage: low cost and differentiation. This implies the availability of three generic strategies: cost/price leadership strategy, differentiation strategy and focus strategy. The two most relevant points from Porter's work for our present purposes are that: first, microfinance institutions must think in terms of their competitive strategy type; and, second, microfinance institutions can use the structure to identify "strategic groups" and how well these groups perform. To Cravens (1991), marketing approaches concern the planning and implementation of specific actions in the market place. The specific actions revolve around the marketing mix made up of the following elements: product policies, pricing policies, marketing communications distribution policies and service policies.

Fifield (1994) considers the product policies of micro-finance institutions as the foundation of their marketing approaches. This is because if the product does not offer the features expected and required by customers, a competitive interest rate coupled with creative promotion and well-organised distribution will not compensate for its weaknesses. Robinson (1994) stressed that the demand for deposit facilities is determined by a blend of motives and determinants and can therefore be met with a blend of savings products offering different levels of liquidity and returns. He considers the selection of a pricing policy by all microfinance institutions as a function of three key factors: demand, competitor prices and cost structure. Several pricing options are open to microfinance institutions based on these key factors. Alternatives include cost and pricing, break even and profit impact target pricing, the value in use pricing, market-rate pricing, relationship pricing, penetration pricing and skimming pricing.

According to Gronroos (1990), marketing communication is the most visible aspect of the marketing approaches of microfinance institutions. The communication methods open to the microfinance institutions in delivering marketing to the customer could be classified as follows:

a) Advertising- using mass media like TV, radio, press, outdoor and transport media to reach large audiences. Other specialised vehicles, point-of-sale displays, sales literature and others also fall under this category.
b) Personal selling involving face-to-face sales of products by the staff of the microfinance institution to a customer, which may include the use of supporting materials for presentation, display etc.
c) Sales promotion events with short-term objectives, using the same media in advertising, for example, reduction in interest rates, customer competitions and incentives, giving away consumer appliances of various values in return for different levels of deposits.
d) Public relations: the creation and maintenance of corporate images relevant to different audiences to present the microfinance institution in a favourable light in news stories and other media coverage, which is not specifically paid for directly.

Gronroos suggests that distribution policy of a micro-finance institution is concerned with how to distribute and deliver products to the customer. Distribution methods are centred on branch networks, which provide simple and efficient systems for collecting, administering and delivering money. The main marketing concerns to be addressed in distribution are about networks or branches on one hand and logistics on the other.

There is a body of literature that discusses the idea of relationship marketing in the financial sector. For example, Berry and Thompson (1982) have applied relationship marketing to the banking industry, claiming the concept will dominate retail bank marketing practice. Gronroos (1990) also formulated a relationship-focused definition of marketing. The purpose of marketing is to establish, maintain, enhance and commercialise customer relationships so that the objectives of the parties involved are met. Christopher et. al. (1991) have suggested a theory of relationship marketing based on a broader perspective than earlier contributions.

According to Levitt (1981) when an organisation is loyal to its customers and it is committed to providing valuable and improved services in response to changing needs of its customers, there is the tendency for its customers to repay the favour in the form of a mutually beneficial, long-term relationship. Ryans and Wittink (1977) have categorised service offerings based on the degree of differentiation of competing services and the ability of customers to change suppliers and have suggested that service firms pay adequate attention to encouraging customer loyalty. Customer loyalty not only improves efficiency, but it also enhances productivity. Since old borrowers with good repayment records take much less time to manage than new clients, loan officers with large volumes of loyal customers can manage more clients. A loyal customer is also likely to be a low-risk borrower, assuming that a microfinance institution moulds its services to suit the specific demands by each client (Churchill, 2000).

Hypothesis

This research aims at testing the hypothesis that microfinance institutions in Nigeria are not market-oriented in the mobilisation of savings and delivery credits.

Methodology

Both secondary and primary data formed the bases of the study. Secondary information was used to establish the criteria for marketing orientation and provide further information about works that have already been done in the field of microfinance marketing. This implies that desk research entailed a review of literature on the methods of credit delivery and savings mobilisation as well as external factors that influence the operations of microfinance institutions in Nigeria. In Nigeria, a microfinance institution can be classified into three categories. However, in this study, the emphasis would be on two: formal and semi-formal microfinance institutions.

Primary data was collected using a self-administered questionnaire. Questionnaires were administered to credit officers and in some cases management teams of selected microfinance institutions in Kwara State, Nigeria. Questions asked cover strategic marketing issues that apply to microfinance institutions' savings programmes, marketing orientation as defined in the mission statements, credit delivery and loan recovery strategies and their internal marketing strategies.

The study relied on descriptive statistical analysis generated from the use of windows excel and the statistical package for social sciences (SPSS). The microfinance institutions were analysed in terms of their marketing objectives, mission, strategies and approaches based on defined indicators.

All the microfinance institutions operating in the Kwara metropolis, and registered with the Nigeria microfinance network (NMF) issued as the sampling frame. The microfinance institutions quizzed were selected through purposive sampling. The institutions were selected based on the size of the market captured, using the number of clients acquired as an indicator. The selected institutions do not have less than 5,000 clients and are, as such, regarded as typical representatives of successful microfinance institutions within Kwara State.

Analysis of Findings

This section presents the findings from the questionnaire administered to six selected microfinance institutions (MFIs). In these institutions, either the management team or the credit officers were approached to provide answers to questions on the questionnaire. To identify the marketing approaches and strategies adopted by the MFls, questions related to marketing doctrines and overall judgment of the premium attached to marketing were asked.

Table 1: Staff members performing marketing functions in institutions without a marketing department.

Staff	Numbers of institutions	Percent
Management team	1	33.3
Credit officers	2	66.7
Total	3	(100)

Source: Survey Data (2008)

The responses from the administered questionnaires indicate that all the MFIs have a corporate mission statement. On the issue of whether such statements were focused on customer needs or otherwise, it was identified that the mission statements of all the MFls had both customer orientation and financial focus. However, customer orientation was prominent among the non-governmental organisations (NGOs) than with the savings and loans companies. This is not strange, because of the humanitarian services provided by the NGOs. The implication of this is that NGOs were marketing-oriented while the savings and loans were less marketing-oriented.

Marketing Department among MFls

When asked whether there existed a marketing department in their institutions, fifty percent (50%) indicated they had a marketing department. The marketing department is the nerve centre through which a wide-range of marketing activities such as marketing service, product policy, corporate strategy, selling, and physical distribution of products occurs. As such the absence of such a department means that marketing activities will not be given the seriousness they deserve.

Of the remaining institutions without marketing departments, questions were also posed to find out whether some staff members were still responsible for performing marketing roles. These institutions have people who are not originally assigned as marketing staff performing the marketing functions. This is presented in Table 1.

In the case of those responsible for setting the marketing objectives and strategies in the institution and the position those individuals occupy in the hierarchy of the organisation sixty-seven percent (67%) of the MFIs indicated that they were done by senior management while thirty-three percent (33%) pointed in the direction of middle management. The findings indicate that MFIs had marketing functions as their topmost priority in terms of its representation at the management level. However, concerns were raised as to whether these officials had the necessary skills, knowledge, and experience to carry out such activities regards the collection of data, appraising past marketing performance and identifying marketing opportunities to ensure the delivery of quality service. This pre-supposes that marketing activities may not be properly organised in such institutions and is an indication that they are probably not market-oriented.

Marketing Strategies

When asked whether marketing plans were prepared by the MFIs, all three savings and loans companies and one non-governmental organisation, constituting sixty-seven percent (67%) of the interviewed microfinance institutions answered, "Yes" while the remaining two, constituting thirtythree percent (33%) said they never prepared marketing plans. A quick look at such strategies shows that eighty-three percent (83%) of the MFIs had corporate plans with little focus on marketing. The focus was rather on financial considerations. In answering the question on the frequency with which they reviewed their marketing plans, thirty-three percent (33%) said "Very Often," fifty percent (50%) chose "Often" and seventeen percent (17%) selected "sometimes". This finding implies that not much seriousness is attached to marketing. Concerning whether the MFIs prepared a marketing plan for each of their products and services, sixtyseven percent (67%) said they did while thirty-three percent (33%) did not. This response might indicate the presence of a high level of marketing orientation among the MFIs. However, concluding this about this response rate needs to be done with caution because eighty-three percent (83%) of the MFIs gave very little attention to the preparation of marketing plans.

Products

When asked whether there had been changes to the products and services offered over the last five years on average, sixty-seven percent (67 %) of the respondents indicated that there had been changes in the products and services they offered. All the savings and loans companies interviewed had varied their product range. Some of the new products introduced by the savings and loans companies included the sale of insurance products, import financing and variations in the loan and group finance schemes as practiced by the rural banks.

Table 2: Frequency with which savings products are modified

Period	Numbers of Institutions	Percent (%) of MFIs
Annually	Nil	Nil
Every 1-2years	1	17.0
Every 3years or more	Nil	Nil
As and when necessary	3	50.0
Not at all	2	33.0
Total	**6**	**(100.0)**

Source: Survey Data (2008)

Table 3: Frequency with which credit products are modified

Period	Numbers of Institutions	Percent (%) of MFIs
Annually	Nil	Nil
Every 1-2years	1	17.0
Every 3years or more	Nil	Nil
As and when necessary	3	50.0
Not at all	2	33.0
Total	**6**	**(100.0)**

Source: Survey Data (2008)

Table 2 indicates the response of the MFIs on the frequency with which modifications are made to their products. It can be noticed that the majority of them modified their savings products as and when they deemed necessary.

Fifty percent (50%) responded that they modified their savings products as and when necessary, seventeen percent (17%) said they did so every one to two years and thirty-three percent (33%) did not modify their products at all. The implication of this may be that the interest of customers was not the pre-occupation of the MFIs in their savings mobilisation effort. A similar trend is observed concerning credit products and is presented in Table 3.

Fifty percent (50%) said they modified their credit products as and when necessary, seventeen percent (17%) said annually and thirty- three percent (33%) did not modify their products at all. Product modification is necessary for savings mobilisation and credit delivery to the poor and microenterprises. Since a combination of motives and other factors determine savings and credit facilities, clients' needs could be best met with a combination of savings and credit products offering different levels of liquidity and return. However, the responses given imply that product modification was done casually or accidentally, instead of being a deliberate and determined effort to satisfy customer needs. This may mean that the interest of customers was not of paramount importance to MFIs in the delivery of credit.

Some of the factors considered by the selected savings and loans companies when modifying their savings products were the level of competition, emerging client needs, deposit level, competitive products and prevailing interest rates. Also, some of the factors taken into consideration by the selected savings and loans companies, when modifying their credit products, include prevailing interest rates, competitive products, risk exposures, emerging client requirements and sectional analysis of the economy. From the above, it could be conluded that the MFIs put into consideration both customer and financial factors when modifying their products.

Marketing Objectives

When asked whether the MFIs had stated marketing objectives for selected marketing activities, half of the respondents, fifty percent (50%), indicated they do not have stated marketing objectives, while the other half claim to have. Two-thirds (67%) of the NGOs and one-thirds (33%) of savings and loans companies indicated they do not have stated marketing objectives. This is a clear indication that a sizeable number of MFIs are not marketingoriented in their activities.

Generally, most of the stated marketing objectives by the MFI for credit delivery revolved around the processing and delivery of credit-volume increase of loan portfolio, offering attractive competitive lending rates, sustaining profitable relationship, to mention a few. Some of the stated marketing objectives for savings mobilisation included encouraging members to save regularly, amount of interest to be paid to depositors, meeting clients' demands on time, improving on the savings culture of their clients, bringing banking to the doorstep of clients, among others.

Table 4: Budget Allocation for Marketing Activities

Budget Allocation for Marketing Activities	**Numbers of Institutions**	**Percent of MFIs**
Annually	Nil	Nil
Every 1-2 years	1	17.0
Every 3 years or more	Nil	Nil
As and when necessary	3	50.0
Not at all	2	33.0
Total	**6**	**(100.0)**

Source: *Survey Data (2008)*

Although fifty percent (50%) of the MFIs indicated that they have stated marketing objectives, fifty percent of these MFIs could not state their marketing objectives for credit delivery and savings mobilisation when asked. This is a clear indication that they were non-existent.

On marketing strategies put in place to achieve the marketing objectives, the MFIs mentioned several activities that are peculiar to the type of MFI being operated by their institutions. The savings and loans companies mentioned strategies like quick loan approval, high customer care, using target and selective marketing to meet customer needs, adopting growth strategies and competitive strategies. The NGOs mentioned timely delivery of credits, effective customer relationship management, offering competitive interest rates to clients, production of sector-specific brochures and organisation of training programmes for beneficiaries as the marketing strategies they employ in achieving their marketing objectives.

The MFIs were also asked a question on whether part of their budget was allocated for marketing activities. The responses are presented in Table 4. Seventeen percent (17%) indicated they did not make any provision in budgeting for marketing activities while thirty-three percent (33%) indicated they spent 1-4% of their budget on marketing activities. This means that the seventeen (17%) who do not have a marketing budget will not provide resources for marketing strategies and activities needed for market growth and profitability.

Another thirty-three percent (33%) allocated between five and eight percent (5-8%) of their budget to marketing activities. Only seventeen percent (17%) of the institutions spent between nine and twelve percent (5-12%) of budget allocation on marketing activities. This finding provides a clear signal about an actual attitude towards marketing and ultimately towards customers among the MFIs. Instead of making funds available for marketing activities in their corporate budgets, the MFIs choose to pay for expenses arising from activities perceived to be marketing-related which were unplanned.

Marketing Approaches to MFIs

Marketing Research

Respondents were asked whether or not they conduct marketing research. Sixty-seven percent (67%) claim that they do, while thirty-three percent (33%) do not conduct marketing research. Among those who do, twentyfive percent (25%) do so very often; fifty percent (50%) do so often; and twenty-five percent (25%) only sometimes.

The MFIs' answers to the question of how information obtained from research was utilised is presented in Table 5. Thirty-three percent (33%) said they use it for strategic long-term planning, seventeen percent (17%) use it as a basis of normal routine activities and fifty percent (50%) employ it as a basis for decision-making. It was, however, observed that most of the MFIs relied basically on secondary data and intuition in conducting their marketing research. However, for effective strategic planning, primary data collection would be very helpful. The fact that primary data collection was almost absent means that strategic marketing planning is on the low side.

Monitoring Customer Preferences and Environment

On the question of whether they monitored customer preferences at their locations, sixty-seven percent (67%) indicated "Yes", while thirtythree percent (33%) said "No".

Table 5: Utilisation of Information Obtained from Research

Activity	Numbers of Institutions	Percent (%) of MFIs
For strategic Long-term planning	2	33.0
Basis of normal routine activities	1	17.0
Basis for decision making	3	50.0
Total	**6**	**(100.0)**

Source: *Survey Data (2008)*

Table 6: Frequency at which customer preferences were monitored

Frequency of monitoring	Numbers of Institutions	Percent (%) of MFIs
Very often	2	33.0
Often	3	50.0
Sometimes	1	17.0
Total	6	(100.0)

Source: *Survey Data (2008)*

Table 7: Percentage of Institutions that Monitored Environmental Factors

Environmental Factor	Numbers of Institutions				Percent (%) of MFIs			
	Very often	Often	Some-times	Not at all	Very often	Often	Some-times	Not at all
1. Business Environment	2	2	1	1	33.0	33.0	17.0	17.0
2. Economics	2	3	1	Nil	33.0	50.0	17.0	Nil
3. Fiscal	2	2	1	1	33.0	33.0	17.0	17.0
4. Technological development	1	2	1	2	17.0	33.0	17.0	33.0
5. Social/Cultural	1	2	2	1	17.0	33.0	33.0	17.0
6. Intra-Company	2	1	2	1	33.0	17.0	33.0	17.0
7. The Market	1	2	2	1	17.0	33.0	33.0	17.0
8. Competitors	2	1	2	1	33.0	17.0	33.0	17.0

Source: *Survey Data (2008)*

Table 6 presents information on how frequent the selected MFIs monitor customer's preferences. Thirty-three percent (33%) of the MFIs indicated they did that very often, fifty percent (50%) said they did that often, while seventeen percent (17%) only do it sometimes.

Since customers of the MFIs are not the same in terms of needs and wants, observing their preferences very often will make it possible for the MFIs to improve on their services and develop suitable products. However, since that is not done very often, it implies that the MFIs are not doing much to improve on products delivered to ensure maximum customer satisfaction.

Furthermore, questions were asked to find out whether MFIs monitored changes to the environment by listing some environmental factors regarded as problems and opportunities facing MFIs. Environmental factors considered include the business environment, macroeconomic indicators such as interest rates, national GDP, foreign exchange rates and national inflation, fiscal factors, technological developments, social/cultural factors, intra-company issues, the market and competitors. This helps with the determination of the degree of understanding of the marketing environment in which MFIs operated. Responses by MFIs to the question of whether they had a systematic approach to tracking changes in the environment are presented in Table 7.

Fifty percent (50%) of the MFIs gave the "Yes" answer. Some of the methods used include a periodic review of economic situations, observation of changes in salary levels, competitor intelligence, tracking changes in macroeconomic indicators, customer feedback surveys and sensitivity analysis. The conclusion from this is that most of the MFIs employed formalised and systematic approaches in tracking or monitoring the environment. This shows a high level of strategic management.

Table 8: Number of Times the MFIs Conduct Promotions

Number of Times	Numbers of Institutions	Percent (%) of MFIs
Very often	1	17.0
Often	2	33.0
Sometimes	2	33.0
Never	1	17.0

Source: *Survey Data (2008)*

It can be deduced from the responses given that the MFIs gave little attention to the monitoring of changes in the environment. Less than forty percent (40%) of them tracked the business environment, economic factors, fiscal factors, technological developments, social/cultural intra-company issues and the market very often. Only thirty-three percent of the MFIs tracked trends in business, economic, fiscal, intra-company issues and competitors very often. Economic conditions expected to be tracked, for instance, include trends in national inflation, foreign exchange rates, interest rates and national GDP. The low level of monitoring these environmental factors suggests a low level of marketing-orientation.

Promotion

A question was also asked on whether the MFIs have a promotional strategy. Eighty-three percent (83%) of the MFIs interviewed said they have a promotional strategy. Table 8 shows the frequency for the conduction of promotions by the MFIs.

Seventeen percent (17%) conducted promotions to mobilise savings very often, while thirty-three (33%) do so often. Thirty-three percent (33%) conduct promotions sometimes while seventeen percent (17%) do not conduct promotions. Fifty percent (50%) of the MFIs claim to have a promotional budget, while the remaining fifty percent (50%) do not have. It can be deduced from these findings that the MFIs are not doing much to attract customers.

Table 9 shows responses by MFIs to the question of the extent to which budgetary allocations to promotions are made. Fifty percent (50%) said they allocated between 1 and 4%, while seventeen percent (17%) said they allocated between 5-16%. Thirty-three percent (33%) allocated above seventeen percent (17%) of their marketing budget to promotions.

The results indicate that little attention was given to promotions by the MFIs as confirmed by their comparatively low expenditure on promotions.

Interest Rate Determination

Respondents were provided with a list of methods being used in the determination of determining interest rates. The list of market-oriented approaches include: following competitors, customer acceptance pricing and variable pricing. The other three methods are financial oriented approaches, cost plus build-up and mark-up pricing, and break-even analysis. All these methods were explained in the questionnaire. The responses in Table 10 show that most of the MFIs use a combination of methods in determining their interest rates.

From the results, fifty percent (50%) of the MFIs used market-oriented approaches in determining their interest rates. This implies that the level at which MFIs relied on prevailing market conditions in fixing the interest rate is still low. The general result is that when it comes to pricing, the MFIs tend to be only partly marketing oriented.

Deposit Mobilisation Strategies among MFIs

It was found that two savings approaches used by MFIs have forced savings and the mobilisation of voluntary savings. In the case of the former, customers qualify for credit after saving with the institution for an average of between 3-6 months. In the case of the latter, actions of savers were largely based on personal motivation. There was also an indication of gender bias in the mobilisation of savings and delivery of credit among the MFIs. The very reason for this could be the fact that women constituted a big fraction of the poorest groups of the population and they, in most cases, pursue independent economic activities. Another explanation was that the managers of MFIs perceived women to be reliable microfinance clients, and found to be more disciplined than men in making regular savings deposits and loan repayments.

Recovery of Loans Strategies among MFIs

It was also found that most of the MFIs studied had stringent methods for providing credits and reducing default in loans payment. The savings and loans companies relied on the background of borrowers, particular purpose of a request for loans, and an assessment of how borrowers managed resources and disposition including strengths and weaknesses, collateral presented and whether they have saved with the company for some time.

Table 9: Percentage of Promotional Budget Constituting Marketing Budget

Percentage (%) of Marketing Budget Allocation to Promotions	Numbers of Institutions	Percent (%) of MFIs
1% - 4%	3	50.0
5% - 6%	1	17.0
Above	2	33.0

Source: *Survey Data (2008)*

Table 10: Methods Employed in Determining Interest Rate

Method	Numbers of Institutions	Percent (%) of MFIs
Cost-plus build-up and mark-up pricing	3	50.0
Break-even analysis	2	33.0
Following competitors	1	17.0
Customer acceptance	Nil	Nil
Variable pricing	2	33.0

Source: *Survey Data (2008)*

The NGOs, on the other hand, considered factors like regular cash flow from the business for which the loan was sought, a guarantor from within the locality where the loan is being sought, attendance to organised orientation and business training sessions and existing degree of exposure. From the aforementioned, it could be said that both marketing and financial considerations with more emphasis on the latter were taken into consideration before granting loans. This resulted in high recovery rates.

Summary and Conclusions

This study sought to find out whether microfinance institutions use marketing approaches and strategies in reaching the productive poor within Nigeria. Microfinance institutions in Kwara State were used for the study. The research aimed at testing the hypothesis that "microfinance institutions in Nigeria are not market-oriented in the mobilisation of savings and delivery of credits."

Both secondary and primary data were used for the study. Secondary information was used to establish the standard benchmark for ascertaining the market-orientation of selected institutions and provide further information about related empirical studies already carried out in the field of microfinance marketing. Primary data for the study was collected, using a self-administered questionnaire to six selected microfinance institutions in Kwara State, Nigeria. The study involved a descriptive statistical analysis of the collected primary data.

One of the main findings of the study is that marketing activities are poorly organised in microfinance institutions within Kwara State, Nigeria.

In addition, there is little focus on marketing in the corporate plans of microfinance institutions. Moreover, there is very little budgetary allocation for marketing activities by MFIs within the study area. Also, the MFIs have not demonstrated much commitment to effective and strategic marketing of their products at the management level. In a broader spectrum, the findings of the study confirm the hypothesis that MFIs in Nigeria are not marketing-oriented in the mobilisation of savings and delivery of credits.

Recommendations

Based on conclusions drawn from the outcome of the study, the following recommendations are made:

1. MFIs particularly should create marketing departments. Such departments need to be strengthened by employing people with the needed skills, knowledge and experience in marketing-related functions. This will ensure revenue growth, customer satisfaction and financial sustainability. This is because marketing is the core of the forces that drive businesssuccess and profit;
2. It is necessary for MFIs to fashion out customer service packages that include product availability and innovations. The nature of each component requires research as different services with different interest rates will be needed and different marketing strategies and approaches will have to be employed;
3. MFIs need to strengthen their marketing planning capabilities especially in the area of creation of environmental awareness. This is especially so because of the consequences of changes in the environment on the operations of MFIs and their implications for MFIs' choice of strategy;
4. There is the need to introduce new products on an incremental basis. This ought to be done by introducing one or very few at a time so that MFIs' staff and clients can manage, monitor and understand them properly;

5. Product innovations should not be a one-stop gap measure, but an on-going programme to improve the quality of financial services being made available to clients.

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