Customer Satisfaction Towards Micro Finance Bank Services Rendered to Small and Medium Scale Enterprises in Nigeria

EMERAH Ajevata. Apollos PhD

Dept. of Business Studies,
Edwin Clark University, Kiagbodo P.M.B.101.Ughelli. Delta State, Nigeria.

Abstract: **This study examined the level of satisfaction of small and medium scale enterprises (SMEs) with the services of micro finance banks in Nigeria. Purposive sampling was used to choose two states, namely Lagos and Oyo that had the largest percentage of registered SMEs in Southwestern Nigeria while Slovin's formula was used to select 374 SMEs. The relevant data was obtained through the administration of structured questionnaire to SME's operators. Descriptive tools such as percentages and mean as well as inferential statistical tools such as ANOVA were used for analysis. The result showed that small and medium scale enterprises were satisfied with the services of microfinance banks especially in the area of responsiveness, reliability and assurance.**

Keywords: **microfinance, customer, satisfaction, enterprises, services**

I. INTRODUCTION

Microfinance as it is known today originated in Bangladesh but has also taken root in other less developing countries like Nigeria. Microfinance has become a veritable source of finance to small and medium scale enterprises (SMEs) world wide, especially in less developing countries where the conventional banking system has little or nothing to offer firms with low turnover and profits. Although small and medium scale enterprises are in dire need of capital to grow to maturity, most deposit money banks are not willing to finance start ups and other smaller enterprises. It should be noted that due diligence and the assurance of safety of their funds is of paramount importance to most banks, and that is why they could be seen as slow in responding to requests for funding from small and medium scale enterprises.

Financing of small businesses in Nigeria by Micro Finance Banks has become an important policy choice in government's economic programmes. Nigeria started microfinancing with the establishment of community banks which later metamorphosed into microfinance banks.It is believed in many quarters that the activities of microfinance banks are tailored towards the growth and survival of small and medium scale enterprises. It is important to emphasise that it is the primary responsibility of microfinance banks to ensure that their customers are provided acceptable quality of service and to promptly and professionally address complaints and grievances of their clients. It is also imperative for operators to deal reasonably with SMEs at all times.

Since the customer is KING, microfinance banks are expected to strive to anticipate the needs, expectations and preferences of borrowing enterprises, and work diligently to meet them. Microfinance banks are expected to be transparent, fair and reasonable in their dealings with their customers.In doing so, they must eschew sharp practices, untrue and deceptive advertisements, non-disclosure of vital information, false promises, reluctance or apathy towards grievance handling and respect for the customer(Ndukwe,2008).

It has been alleged by some small and medium scale enterprises in Nigeria that microfinance banks are not treating them fairly in terms of prompt attention, courtesy and even granting them the required amount that is necessary for effective management of the enterprises concerned.

The basic question that this study seeks to answer is whether the small and medium scale enterprises are satisfied with the services of the microfinance banks or not.

Objective of the Study

To examine the level of satisfaction of small and medium scale enterprises towards the services of microfinance banks in Nigeria.

Hypothesis

Ho: There is no significant difference in level of satisfaction of SMEs towards microfinance banks' services.

II. LITERATURE REVIEW

Microfinance

According to Yunus (1999), microfinance entails the means of access to finance by the poor people that allow them to utilize their capacities in favour of lasting development. It is the provision of financial services such as credits, savings, micro-leasing, micro insurance, and payment transfers to economically active poor and low income group of a given society(Irobi,2008).In its original vision, microfinance entailed providing small loans for productive purposes.

Microfinance has now become one of the most formidable tools for poverty alleviation in most developing countries including Nigeria.It has been observed that micro finance is an effective, agile and flexible financial instrument for promoting entrepreneurial spirit in most developing countries of the world. Microfinance is also a veritable tool for lowering business risk,improve business management and raise productivity as well as returns on investment.

The Role of Micro Finance Banks in Financial Intermediation

The basic functions of microfinance banks include ,but not limited to acceptances of deposits, granting of loans, money transfers, insurance to the poor and low income households among others.These functions are performed under the supervision of the central bank and the supervisory agency set by government to oversee their day to day activities.In its original conception ,microfinance banks were meant to grant tailor made loans to peasant farmers,traders and artisans who will not readily get loans from the conventional deposit money banks.

According to Van Duong Ha (2020), improved access and efficient provision of savings, credit, and insurance facilities could enable the poor to smoothen their consumption, manage their risks better, build their assets gradually, develop their microenterprises, enhance their income earning capacity, and enjoy an improved quality of life.

The role of microfinance banks in financial intermediation cannot be over emphasised especially as it affects small and medium scale enterprises in Nigeria Microfinance banks are expected to be vehicles of rural transformation and social economic growth .It has been noted that ,in addition to financial intermediation, some microfinance institutions provide social intermediation services such as group formation, development of self confidence and financial literacy and management capabilities among members of a group intended to benefit low income men and women.

History of microfinance banks in Nigeria

Microfinancing started in Nigeria with the establishment of the National Board for Community Banks in 1992.However, in 2005 the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria established Microfinance Banks as a way of formalizing microfinance institutions (MFIs) in Nigeria.The drive behind this policy was the promotion of financial discipline and sustainability, as well as the provision of access to financial services to the unbanked population in the rural areas.

This regulatory framework also introduced a stratified licensing framework whereby microfinance banks were licensed either as Unit bank with a minimum capital of N20 million, State-wide banks with a minimum capital of N100 million or National micro finance banks having a minimum capital of N2 billion. As at 31st December,2021 there were over 900 microfinance banks in Nigeria with a total asset base

of N948.11 billion (CBN,2022) spread across the 36 states and the federal capital territory.

Customer Satisfaction

Customer satisfaction is the extent to which a customer is satisfied with a purchased good or service(Boone and Kurtz 2004).It is a cognitive state of the buyer about the appropriateness or inappropriateness of the reward received in exchange for the service experienced (Howard and Seth,1969).It is an experience-based assessment made by the customer of how far his own expectations about the individual characteristics or overall functionality of the services obtained from the provider have been fulfilled(Homburg and Bruhn,1998).The customer has an expectation of a level of utility to be derived from the consumption of a good or service ,and if this expectation is met, then the customer is satisfied, otherwise he is dissatisfied. Dissatisfaction always results in dissonance, a situation where a gap or conflict is created between expectation and actual satisfaction attained at the end.

Measuring Customer Satisfaction

Customer satisfaction is measurable using service quality which has been described as the simple or weighted average of the gap between the expectations of customers and customers' perceived performance along five dimensions.

Accordingly, the five dimensions of service quality as related to microfinance banks are as shown in the table below.

Table-1: Five Broad Dimension of Service Quality

Dimension	Description	Illustrative Criteria
Tangibles	Appearance of physical facilities, equipment, personnel and communication materials.	Appearance of physical facilities, appearance of service personnel, appearance of tools or equipment used to provide service
Reliability	Ability to perform the promised service dependably and accurately.	Accuracy of microfinance services, perform microfinance services effectively when promised, dependable and accurate performance.
Responsiveness	Willingness to help customers and provide prompt service.	Providing prompt service, readiness to serve, handling of urgent request,promptness and helpfulness.
Assurance	Knowledge and courtesy, ability to inspire trust and confidence ability to win trust and confidence of customer	Competence, courtesy, creditability and security.
Empathy	Caring, easy access, good communication, customer understanding and individualized attention given to customers	Listening to customer needs, caring about customers' need, providing personalized attention, easy access, good communication with customer and understanding.

Source: Parasuraman *et al.* (1990)

Emperical Review

Van Duong Ha (2020) measured customer satisfaction towards microfinance services

provided in Vietnam. The results of the study showed that responsiveness, assurance, empathy, tangibility, reliability and online transaction have positive effects on customer satisfaction. However, tangibility was not statistically significant in the model used. Kanyurhi. (2013)also evaluated customer satisfaction with services of a micro-finance institution in Togo. Results revealed that customer's branch, customer's revenue and number of services accessed by customers strongly influence customer's satisfaction. Results also indicated that the current customer satisfaction index was equal to 71.2%.

IFAD (2007) studied customer satisfaction in rural microfinance institutions in Uganda, Kenya and Tanzania. Results revealed that customers preferred unlimited access to their savings while on credit facilities, and to have access to loan amounts they actually applied for at a reasonable price and on flexible repayment conditions. The study suggested that surveyed customers were all satisfied exhibiting a Customer Satisfaction Index of 81%.

Murray (2001) carried out a study on customer satisfaction levels using data from four microfinance institutions affiliated to Women"s World Banking in Colombia, Bangladesh and Uganda with a total sample of 3,000 clients. Results proved that customers were more satisfied by accessing higher loan amounts, faster turnaround times, lower loan requirements and lower prices.

Ahmad and Kamal (2002) conducted a study on a commercial bank using a stepwise regression and demonstrated that there was a negative significance between age and satisfaction. However, occupation and income levels were positively related to satisfaction.

Theoretical Review

Exit-Voice and Loyalty Theory

In *Exit, Voice and Loyalty theory*, Hirschman (1970), an economist, intrigued by diverse consumer strategies in market situations, argued that when a consumer encounters poor performance from a firm, he has three basic options. He could remain *loyal* and tolerate the "lemons" it provides in exchange for some future reward or in hope of improvement. He could also raise a *voice*, demanding a better product or *exit*, that is opt to walk out and patronize competing firms. Exit and voice thus constitute the two alternative means of expressing grievances.But in most cases, exit is the most common consumer response.

Hirschman's theory underestimated the difficulties associated with the effective exercise of voice.

III. METHODOLOGY

The research design adopted for this study was the descriptive survey method of research. The adoption of this research design was based on the fact that descriptive research allows the assessment of certain attributes, properties or characteristics in a prevailing situation and explains a phenomenon by tracing what is already in existence and its effect on the variables to be studied..

The population for the study consisted of 7474 SMEs in south-western Nigeria that registered with Corporate Affairs Commission. A two stage sampling technique was employed in selecting the sample size. In the first stage, purposive sampling was used to choose two states namely Lagos4535 SMEs) and Oyo (1394 SMEs). These two states combined have the largest percentage(79.3%) of registered SMEs in Southwestern Nigeria. In the second stage, Slovin's formula was used to randomly select a sample size of 374 SMEs. Thus sample size was 374 SMEs (284 in Ikeja and 90 in Ibadan).This is based on the 19:6 ratio of distribution of SMEs between Lagos and Oyo states respectively.Structured questionnaire was used to elicit responses from respondents. Part A included the bio-data of respondents while Part B included likert scale questions for respondents on the level of satisfaction of SMEs towards the services of microfinance banks.The dimension under which the customer satisfaction was tested included reliability, responsiveness, assurance, tangibles and empathy.

In order to examine the level of satisfaction of SMEs with the services of microfinance banks, primary data were obtained from SMEs while descriptive and inferential statistics such as percentages, mean and ANOVA were used for the analysis.

IV. RESULT AND DISCUSSION

Table 1 indicated that 209(58%) of the respondents with a mean of 3.58 agreed that the degree at which microfinance banks repond to applications for finance from SMEs was high. This was an indication that most of the applications received by microfinance banks from SMEs got prompt response. Equally,164(45%) of the respondents with a mean of 3.31 were of the opinion that the degree to which microfinance banks granted SMEs full amount of loans applied for was high. This implied that majority of the respondents (55%) were of the opinion that microfinance banks do not grant the full amount of the equity applied for by SMEs.

The table also indicated that 170(48%) of the respondents with a mean of 3.39 agreed that the level to which microfinance banks provided tangibles was high. This was an indication that more than half of the respondents felt that microfinance banks had adequate facilities and personnel required to render satisfactory services to small and medium scale enterprises.

Concerning courtesy of staff of the microfinance banks, table1 showed that 178(49.9%) of the respondents with a mean of 3.51 agreed that the degree to which staff displayed courtesy in their dealings with SMEs was high. This implied that more than half did not believe that staff of microfinance banks were displaying enough courtesy towards SMEs representatives with respect to financing. It was also observed

that 163(45.7%) with a mean of 3.40 of the respondents agreed that microfinance banks displayed empathy towards SMEs in the area of financing to a great extent. This implied that more of the respondents were not satisfied regarding the ability of microfinance bank staff to empathise when providing financial services to SMEs.

The scale of measurement was on a 5-point Likert scale where the benchmark for agreement was set at weighted mean of greater than or equal to 3.0, and disagreement criterion set at lesser than or equal to 3.0. The weighted mean of responses showed that responsiveness was the highest (3.58), followed by assurance (3.51), provision of tangibles (3.39) and reliability (3.31).Empathy had a mean of 3.40. Since the aggregated mean (3.44) was more than the average mean of 3.00, it was concluded that level of SMEs satisfaction with microfinance banks' services was significantly high

Table1: Level of Satisfaction towards Microfinance banks' Services

Dimensions of Satisfaction	Level	Frequency	Valid Percent	Mean	Rank
Responsiveness	VL	8	2.2	3.58	1st
	L	62	17.4		
	N	78	21.8		
	H	132	37.0		
	VH	77	21.6		
	Total	357	100.0		
Reliability	VL	11	3.1	3.31	5th
	L	77	21.6		
	N	105	29.4		
	H	119	33.3		
	VH	45	12.6		
	Total	357	100		
Tangibles	VL	5	1.4	3.39	4th
	L	59	16.7		
	N	120	33.9		
	H	132	37.3		
	VH	38	10.7		
	Total	354	100.0		
Assurance	VL	6	1.7	3.53	2nd
	L	28	7.8		
	N	145	40.6		
	H	128	35.9		
	VH	50	14.0		
	Total	357	100.0		
Empathy	VL	7	2.0	3.40	3rd
	L	57	16.0		
	N	130	36.4		
	H	113	31.7		
	VH	50	14.0		
	Total	357	100.0		

Source:Field Study,2021

VL:Very Low, L:Low, N:Neutral, H;High,VH:Very High

Test of Hypothesis:

Ho: There is no significant difference in level of satisfaction of SMEs with microfinance banks' services.

To test the differences between the means of the degree of customer satisfaction of small and medium scale enterprises, the one way ANOVA was used as the test statistic. The decision rule for significance test is, if p> 0.05 the means are equal and where p< 0.05, then there is unequal means. Table 2 showed that there was no significant difference between the means concerning responsiveness F=3.872, P=0.004, reliability, F=2.826, p=0.025, tangibles F=4.089, p=0.003 and assurance F= 5.204, p=0.000. This implied that there was no significant difference in the way microfinance banks responded to small and medium scale enterprises regarding reliability, responsiveness, tangibles and assurance,

The kendall's W coefficient which ranges between 0(no agreement) to 1(complete agreement) is a test of the concordance or agreement among raters. The result on table 2 (kendall's w= 0.036, sig= 0.000) implied that although there was statistical significance, there was a weak agreement among the respondents.

It was therefore concluded that the opinions of the respondents were varied as to the level of satisfaction towards the services rendered by microfinance banks.

Table 2: Analysis of Variance

Dimensions of Satisfaction	Source of Variation	Sum of Squares	DF	Mean Square	F	Sig.
Responsiveness	Between Groups	17.399	4	4.350	3.872	.004
	Within Groups	395.413	352	1.123		
	Total	412.812	356			
Reliability	Between Groups	12.012	4	3.003	2.826	.025
	Within Groups	374.095	352	1.063		
	Total	386.106	356			
Tangibles	Between Groups	13.808	4	3.452	4.089	.003
	Within Groups	294.613	349	.844		
	Total	308.421	353			
Assurance	Between Groups	15.689	4	3.922	5.204	.000
	Within Groups	265.308	352	.754		
	Total	280.997	356			

Source: Field Survey 2021

Table3: Kendall W Test Statistics	
N	354
Kendall's W	.036
Chi-Square	51.536
DF	4
Sig.	.000
Source: Field Survey, 2021.	

V. CONCLUSION

The outcome of the analysis showed that there was a high degree of satisfaction with the services rendered by microfinance banks to small and medium scale enterprises. The analysis of variance showed that there was no significant difference in services rendered to small and medium scale enterprises.

VI. RECOMMENDATIONS

Based on the conclusion, it hereby recommended that microfinance banks need to improve in the areas of reliability and tangibility where they seem to be lagging behind in their rating by small and medium scale enterprises.

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