IRMM
INTERNATIONAL REVIEW OF MANAGEMENT AND MARKETING
EJ EconJournals
ISSN: 2146-4405

International Review of Management and Marketing

ISSN: 2146-4405

available at http: www.econjournals.com

International Review of Management and Marketing, 2015, 5(3), 114-121.

EJ EconJournals

# Comprehending the Marketing Strategies of Microfinance Institutions: Case of Selected Institutions within Multan District of Pakistan

**Syedah Shan E. Ahmad***

Department of Economics and Management Sciences, The Women University, Multan, Pakistan. *Email: syedahshan@hotmail.com

**ABSTRACT**

The study focuses on finding whether microfinance institutions (MFIs) within Multan district of Pakistan use marketing approaches and strategies in credit delivery and savings mobilization. The objectives of the study are measuring the degree of marketing orientation among MFIs and probing the application of marketing in credit delivery and savings mobilization. The research aims to test the hypothesis that "whether or not MFIs in Multan district are market oriented in delivery of credit and mobilizing the savings." Primary data has been used as the main source of data for the study. The data was drawn from credit officers and management team (in some cases) of the MFIs. Descriptive statistics have been used for analyzing the data by using excel sheets and SPSS software. The survey revealed that the certain MFIs are not market-oriented in services' delivery. One of the main finding is that marketing activities are poorly organized in MFIs. Moreover, little focus has been placed on marketing in corporate plans, and a very low budget has been allocated to promotional activities. In some cases no separate marketing promotional activities have been found. Unavailability of data is there and while conducting the survey lack of data transparency issue has been faced. The evidence in the paper suggests that MFIs should make marketing departments, develop the customer service packages in an easy approachable manner, and reinforce their marketing planning capabilities particularly in environmental awareness area. The paper is informative when planning for the establishment of proper marketing departments in MFIs.

**Keywords:** Credit Delivery, Marketing Strategies, Microfinance, Saving Mobilization
**JEL Classifications:** L1110, M30, M390

## 1. INTRODUCTION

Households' savings culture is a widely known worldwide phenomenon. People save as they want to guard themselves against any unexpected crisis, accumulate fund for investment, meet their social obligations, and also to meet future consumptions. Regardless of the presented reasons for savings, the poor populace in society is controlled in accessing savings and credit facilities presented by formal financial institutions (Cravens, 1991). The elucidation for this pragmatic situation is the fact that commercial banks observe doing business with the poor and with microenterprises to be costly and highly risky. The medium and large enterprises are arbitrated to be relatively credit worthy. Microfinance institutions (MFIs) have consequently become the key source of funding for both the poor and micro-enterprises. MFIs bridge the savings and credit gap and also help the poor and micro-businesses to ensure access to savings and credit facilities.

It is broadly accepted that micro-financing plays a significant role in improving the living conditions of the poor populace by making it possible for them to have access to prolific resources, with financial services as a key resource. Such resources can be directed to income generating activities and subsequently generate employment for the poor populace. Microfinance is also renowned as making a substantial impact on issues as women empowerment, and environmental degradation as well as refining access to such social services as education, health, and housing by poor and vulnerable. It is a tool which provides the poor with access to productive capital, which if accompanied with human and social capital, tackled through education and training, facilitates the people to move out of poverty (No. 10, M., 2009).

### 1.1. Microfinance in Pakistan

Currently the microfinance sector in Pakistan has microfinance providers (MFPs) which are categorized into five peer groups by industry network PMN as Microfinance Formal Banks, specialized MFIs, Rural Support Programme, multi-dimensional non-governmental organizations (NGOs) working as microfinance service providers and others. Regarding the source of income, majority of MFIs organized their own funds but the non-government organizations normally depend on government and donor partners.

It is frequently stated in related studies that regardless of the important part played by MFIs, this sector has faced enormous challenges and limitations which partially account for the slow growth of this sector (Syedah et al., 2013). One of the main challenges is for MFIs to attain a bigger number of the poor clients. The survey of consultative group to assist the poor showed that microfinance experts guesstimate that over 500 million poor people globally demand financial services, nonetheless only a small fraction of those people in reality have access (Steel and Andah, 2003). The task of building a worthwhile and sustainable microfinance sector to meet this enormous demand simulate an exciting yet overwhelming challenge.

By inference, MFIs serve just a tiny fraction of poor households and micro enterprises in Pakistan although the sector seems to be growing. The query one will have is: “What are MFIs doing to draw the lasting potential customers into microfinance industry?” One part of information missing in many empirical studies on micro financing in Pakistan is the marketing placement of MFIs. Furthermore, it is an admitted fact that, for any given institution that catches itself operating in a situation of growing number of microfinance operators, it turns out to be more problematic to get the firm’s product noted and for potential customers to conduct business with her lacking a good marketing mindset. The use of good marketing methodologies and policies by MFIs in endorsing their products will not only draw additional new customers, but also guarantee a sustainable microfinance sector in the country. This study will thus try to find out whether MFIs use marketing methodologies and policies in reaching the productive poor.

### 1.2. Objectives of the Study

The study focuses on finding that whether MFIs within Multan district of Pakistan use marketing approaches and strategies in credit delivery and savings mobilization.

The objectives of the study are:
1. Assessing the degree of marketing orientation among MFIs
2. Probing the application of marketing in credit delivery and savings mobilization.

## 2. LITERATURE REVIEW

On the concern of market strategies, various studies have tried to classify the key features of marketing oriented enterprises. For case in point, Kholi and Jawarski (1990) acknowledged that, marketing orientation requires:
1. One or more departments engaging in activities geared in the direction of developing an understanding of client’s current and future needs and aspects affecting them
2. Sharing of this understanding crossways departments and
3. The different departments engaging in doings designed to meet certain customer needs.

Rendering to Carlson et al., (1990), the objectives of an institution need to be considered before preparing and designing marketing strategies approaches. Drucker (1974) studies an effective mission to be dedicated to markets rather than products. In simple words, the mission statement should emphasis on wide ranging set of needs that an institution is trying to satisfy its clients (that is external focus). Drucker claims that, the purpose and mission of all business organization is to please the customer. Therefore, the goal to which all marketing actions in the MFIs are to be focused over the formation period then turns out to be the marketing objective of the institution. It must disclose the expected achievements in sales, profitability, cash flow and liquidity, market share, portfolio balance, amongst others, in a stated time frame (Drucker, 1990).

When realizing marketing objectives, Kotler (1994) specifies that marketing policies are in a straight line linked to marketing programs implemented by the MFIs. Until the marketing policies are converted into marketing approaches, the marketing objectives of the MFI cannot be realized. Kotler (1994) proposes that in developing market policy the major issues that need to be focused are the mission analysis; competitive differentiation and positioning, market segmentation; and matching assets with customer requirements. Kotler says mission analysis has two borders; that are customer missions and key value missions. Customer mission emphases on customer needs with which MFIs are dealing in. Whereas key value mission refers to what is vital within the business, or in simple words what MFIs want people to see as important.

According to Cravens (1991), marketing methods concern the planning and implementation of precise actions in the market place. The certain precise actions move around the marketing mix comprised of the following elements; pricing policies, product policies, distribution policies, marketing communications and service policies. Fifield (1994) studies product policies of MFIs as the base of their marketing methodologies. It is so if the product does not provide the expected features to the customers, even a reasonable interest rate together with creative promotion and well-ordered distribution will not pay for its weaknesses.

Robinson (1994) recommends that deposit demand services is measured by a combination of motives and determinants and thus can be delivered by a combination of saving products providing different levels of liquidity and return. Gronroos (1990) agrees marketing communication is the most evident aspect of the marketing approaches of MFIs. The communication methods open to the MFIs in providing marketing to the consumer could be categorized as follows; advertising, personal selling, sales promotion and public relations. Gronroos proposes that distribution policy of MFIs is related to distribution and delivery of products to the client. The key marketing issues to be reported in distribution are related to networks or branches and logistics.

There is certain literature review which confers idea of relationship marketing in the financial sector. Berry and Thompson (1982) have utilized relationship marketing for banking sector, arguing the concept will take over retail bank marketing practice. Gronroos (1990 a) also framed a relationship-focused definition of marketing. The aim of marketing is to create, maintain, boost and commercialize customer relationships for fulfilling the objectives of involved parties. Christopher et al. (1991) describes the concept of relationship marketing based on a comprehensive viewpoint than previous contributions.

Levitt (1981) argues that when an institute is loyal to its clients, is dedicated to provide valuable and enhanced services in reaction to changing needs of its clients, there is an inclination for its clients to recompense the favor in a mutually beneficial, long-term relationship form. Ryans and Wittink (1977) have characterized service offerings founded on the degree of variation of competing services and clients ability to change suppliers and have recommended that service firms give sufficient attention for encouraging customers' loyalty. A loyal client is probable to be a low-risk borrower, supposing that a MFI shapes its services to meet the precise demands by each client (Churchill, 2000).

Hypothesis: The research aims to test the hypothesis that "whether or not MFIs in Multan district are market oriented in delivery of credit and mobilizing the savings."

## 3. METHODOLOGY

Both secondary and primary data made the basis of the study. Secondary information was used to establish the marketing orientation criteria and provide additional information about those works that already have been conducted in the microfinance marketing area.

This infers that the present research involved a review of literature on the approaches of credit delivery and savings mobilization along with external factors which impact the activities of MFIs in Pakistan. In Pakistan, MFI can be categorized into formal and semi-formal MFIs.

Primary data which formed the basis for the study was collected by using self-administered questionnaire. Questionnaires were directed to credit officers and in certain cases management team from nominated MFIs Multan. Asked questions cover the strategic marketing issues which apply to savings programs of MFIs, their marketing placement as per their mission statements, credit delivery recovery strategies and to their own internal marketing strategies.

The study counts on descriptive statistical analysis done from the use of Windows Excel and the Statistical Package for Social Sciences (SPSS). MFIs were studied and explored in terms of their marketing goals, mission, policies and approaches based on defined indicators.

All MFIs operating in the Multan and registered with the PMN is used as the sampling frame. MFIs interviewed were carefully chosen through purposive sampling. The institutions were nominated based on captured market size by utilizing the number of clients acquired as indicator. These institutions have no < 5000 clients and are considered as representatives of successful MFIs within Multan.

## 4. ANALYSIS OF FINDINGS

This section presents the findings from the administered questionnaire to the eight selected MFIs. In these institutions, either the credit officers or the management team was interviewed. To identify the marketing methods, approaches and strategies that have been implemented by MFIs, questions associated to marketing dogmas and general judgment of the premium attached to marketing were inquired.

The responses indicate that all of the MFIs have a corporate mission statement. Regarding the issue of whether these statements were dedicated to customer needs or else, it was found that the mission statements of all of the MFIs had both financial focus and customer orientation. Though, customer orientation was obvious between the NGOs than among the savings and loans companies. This is not bizarre, because of the charitable services provided by the NGOs. The inference of this is that NGOs were more marketing-oriented whereas the savings and loans were less marketing-oriented.

### 4.1. Marketing Department among MFIs

During survey when inquired whether a marketing department existed in their institutions or not, about 50% indicated that they had a marketing department. In any institution, marketing department is the nerve center through which an extensive range of marketing activities such as corporate strategy, product policy, marketing service, selling, and physical distribution of products take place. Whereas the absence of such a department shows that marketing activities will not be provided with the serious attention they deserve.

For those remaining institutions having no marketing departments, questions were also modeled to find out whether some staff members were held responsible for performing different marketing roles. These institutions had staff not initially assigned as proper marketing staff executing the marketing function. This is shown in Table 1.

In the case of those liable for formulating the marketing objectives and policies in the financial institution and the designation those individuals occupy in the chain of command of the organization, 75% of the MFIs showed that they were set by senior management while 25% indicated they were done by middle management. The results indicate that MFIs had marketing functions as their uppermost priority in terms of its demonstration at the management level. Though, concerns were outstretched as to whether these officers had the required skills, knowledge, familiarity, and experience to perform such activities regarding data collection, evaluating past marketing performance and classifying marketing

**Table 1: Staff members executing the marketing function in institutions without marketing department**

| Staff | Number of MFIs | Percentage of MFIs |
|---|---|---|
| Management team | 1 | 25 |
| Credit officers | 3 | 75 |
| Total | 4 | 100 |

Source: Survey data 2013. MFI: Microfinance institutions opportunities to certify the provision of quality service. This presumes that marketing activities may not be appropriately systematized in such institutions and is responsible for an indication that they are possibly not market oriented.

## 4.2. Marketing Strategies

### *4.2.1. Marketing planning*

When inquired whether marketing plans were set by the MFIs, all three savings and loans companies and two NGO, constituting 63% of the interrogated MFIs gave the response, "Yes" whereas the remaining three, creating 37% said they never set marketing plans. A quick look at such strategies and policies however demonstrate that 80% of the MFIs had corporate plans with minute focus on marketing.

The emphasis was relatively on financial considerations. In responding the question on frequency with which they go through their marketing plans, 38% responded "very often," 50% answered "often" and 12% said "sometimes". The inference of this finding is that not much significance is attached to marketing. Regarding whether the MFIs set a marketing plan for each of their services and products, 62% said they did whereas 38% said they did not. This answer might give a hint of the presence of a high level of marketing orientation between the MFIs.

Nevertheless, drawing conclusions from this response rate should be done with care allowing for the fact that 80% of the MFIs paid very little attention in preparing marketing plans.

### *4.2.2. Products*

When probed whether there had been modifications to the products and services offered and delivered over the last 5 years on average, 62% of the respondents showed that there had been changes and modifications in the products and services they offered. All the savings and loans companies cross-examined had varied their product range.

Some of the novel products introduced by the savings and loans companies included the import financing, sale of insurance products, and dissimilarities in the loan and group finance schemes that has been practiced by the rural banks.

Table 2 shows the response of the MFIs on the frequency with which changes are made to their products.

It can be observed that the mainstream of them modified their savings products as and when they considered necessary. 50% responded they modified their savings products as and when necessary, 12% answered they did so every 1-2 years and 38% didn't modify their product at all.

The inference of this may be that the concern of clients was not the pre-occupation of MFIs in their effort of savings mobilization. A parallel trend is observed regarding credit products and is presented in Table 3.

50% claimed that they altered their credit products as and when necessary, 12% said annually and 38% did not modify their products in the least. Product modification is required for savings mobilizing and delivery of credit to the poor populace and microenterprises. Customers' needs could be best met with a blend of savings and credit products proposing diverse levels of liquidity and return. Conversely, the responses given infer that product modification was done casually or else accidentally rather than being a deliberate and considered effort with the drive of satisfying customer needs. This shows that the interest of clients was not of supreme importance to MFIs in credit delivery.

**Table 2: Frequency with which savings products are modified**

| Period | Number of MFIs | Percentage of MFIs |
|---|---|---|
| Annually | Nil | Nil |
| Every 1-2 years | 1 | 12 |
| Every 3 years or more | Nil | Nil |
| As and when necessary | 4 | 50 |
| Not at all | 3 | 38 |
| Total | 8 | 100 |

Source: Survey data 2013. MFI: Microfinance institutions

**Table 3: Frequency with which credit products are altered**

| Period | Number of MFIs | Percentage of MFIs |
|---|---|---|
| Annually | 1 | 12 |
| Every 1-2 years | Nil | Nil |
| As and when necessary | 4 | 50 |
| Not at all | 3 | 38 |
| Total | 8 | 100 |

Source: Survey data 2013. MFI: Microfinance institutions

Some of the factors, taken into consideration by the selected companies while modifying their savings products were the emerging client needs, level of competition, deposit level, competitive products and existing interest rates. However, factors considered by the selected companies when modifying their credit products comprised of prevailing interest rates, emerging client requirements, risk exposures sectional analysis of the economy and competitive products. Thus it could be concluded that the MFIs measured both customer and financial considerations while modifying their products.

## 4.3. Marketing Objectives

When inquired whether the MFIs had specified marketing objectives for designated marketing activities, 50%, showed they did not have specified marketing objectives whereas the other half responded they had. Two-third (63%) of the NGOs and one-third (37%) of savings and loans companies indicated they did not have specified marketing objectives. This is a clear sign that a considerable number of MFIs are not marketing oriented in their activities.

In general, most of the stated marketing objectives by MFI for delivery of credit circled around the processing and credit delivery, offering attractive competitive lending rates, volume increase of loan portfolio, satisfying profitable relationship to reference a few. Some of the detailed marketing objectives for savings mobilization comprised meeting clients' demands on time, inspiring members to save frequently, interest amount to be paid to depositors, enlightening on the savings culture of their clients, taking banking to the door step of clients to reference a few. The MFIs were also questioned on whether a portion of their budget was allotted to marketing activities. Their response is presented in Table 4.

12% indicated they did not allocated any budget for marketing activities whereas 38% indicated they allocated 1-4% of their budget for marketing activities. This shows that 12% who have no marketing budget will not offer reserves for the marketing strategies an activities required for profitability and market growth.

Another 38% allotted between 5% and 8% portion of their budget to marketing activities. Only 12% of the MFIs disbursed between 9% and 12% allocation of budget on marketing activities. Such a verdict offers a clear indication about real attitude to marketing and finally towards customers amid MFIs.

Instead of providing funds for marketing activities in their corporate plans, MFIs decided on paying for expenses rising from activities seeming to be related to marketing which were inadvertent.

**Table 4: Provision in budgeting for marketing activities**

| Provision in budgeting for marketing activities (%) | Number of MFIs | Percentage of MFIs |
|---|---|---|
| Nil | 1 | 12 |
| 1-4 | 3 | 38 |
| 5-8 | 3 | 38 |
| 9-12 | 1 | 12 |
| 13-16 | Nil | 0 |
| Above 17 | Nil | 0 |
| Total | 8 | 100 |

Source: Survey data 2013. MFI: Microfinance institutions

**Table 5: Use of information obtained from research**

| Activity | Number of MFIs | Percentage of MFIs |
|---|---|---|
| For long-term strategic planning | 3 | 38 |
| Basis of normal routine activities | 1 | 12 |
| Decision making basis | 4 | 50 |
| Total | 8 | 100 |

Source: Survey data 2013. MFI: Microfinance institutions

**Table 6: Frequency at which customer preferences were observed**

| Frequency of scrutinization | Number of MFIs | Percentage of MFIs |
|---|---|---|
| Very often | 3 | 38 |
| Often | 4 | 50 |
| Sometimes | 1 | 12 |
| Total | 8 | 100 |

Source: Survey data 2013. MFI: Microfinance institutions

## 4.4. Marketing Approaches of MFIs

### *4.4.1. Marketing research*

Respondents were inquired about conducting marketing research. 62.5% said they conducted marketing research whereas 37.5% said they did not. Out of those who said they conducted marketing research, 25% said they did it very often, while 50% said they did it often whereas remaining 25% said they did that sometimes. The MFIs' response to the question on how information acquired from research was used is presented in Table 5.

38.5% said they used it for long term strategic planning, 12% used it as a basis and source of normal routine activities and 50% said they used it as a decision making basis. It was however, seen that most MFIs depended on mainly on secondary data and intuition and perception in conducting their marketing research. Though, for an effective and operative strategic planning, primary data gathering would be very helpful. The fact that primary data gathering was nearly absent meant that good strategic marketing planning was on the low side.

### *4.4.2. Observing customer preferences and environment*

The comebacks of the question "whether MFIs monitor customer preferences at their location or not," 60% indicated "Yes" whereas 40% said "No." Table 6 offers information in what way frequent the nominated MFIs monitor customer preferences.

38% of the MFIs showed they did that very often, 50% believed they did that often, whereas 12% said they did that sometimes.

As customers of the MFIs are not the same in terms of demands, perceiving their preferences very often will help MFIs to improve their services and develop appropriate products. Though, since it is not done very often, it indicates that MFIs are not placing much effort to improve their delivered products to ensure maximum customer satisfaction.

Moreover, questions were probed to discover whether MFIs observed changes to the environment by listening to certain environmental factors considered as problems and opportunities being faced by MFIs. Environmental factors being considered include business environment, macroeconomic indicators like national gross domestic product (GDP), interest rates, technological developments, social/cultural factors, foreign exchange rates and national inflation, fiscal factors, intra company issues, market and the competitors. This assists with the determination of the degree of consideration of marketing environment in which MFIs worked.

Answers by MFIs to the question that whether they developed a systematic approach to follow changes to the environment are shown in Table 7.

Almost 50% of MFIs answered "yes." Some of the approaches used encompassed periodic analysis of economic situations, tracking changes in macroeconomic indicators, observation of changes in remuneration levels, customer feedback surveys, competitor intelligence and sensitivity analysis. The inference from this is that most of the MFIs used formalized and organized approaches in monitoring the environment. This illustrates a high level of strategic management.

It can be concluded from the responses that MFIs paid very little attention in observing and noting the changes in environment. Less than 40% of them tracked the economic and fiscal factors, business environment, technological developments, social/cultural intra-company issues and the market very often. Only 38% of the MFIs followed trends in fiscal, business, economic, intra-company

**Table 7: Percentage of institutions that monitored environmental factors**

| Environmental factor | Number of MFIs | | | | Percentage of MFIs | | | |
|---|---|---|---|---|---|---|---|---|
| | Very often | Often | Sometimes | Not at all | Very often | Often | Sometimes | Not at all |
| Business environment | 3 | 2 | 2 | 1 | 38 | 25 | 25 | 12 |
| Economic | 3 | 4 | 1 | Nil | 38 | 50 | 12 | 0 |
| Fiscal | 3 | 2 | 2 | 1 | 38 | 25 | 25 | 12 |
| Technological development | 1 | 3 | 1 | 3 | 12 | 38 | 12 | 38 |
| Social/cultural | 1 | 3 | 3 | 1 | 12 | 38 | 38 | 12 |
| Intra-company issues | 3 | 1 | 3 | 1 | 38 | 12 | 38 | 12 |
| Market | 1 | 3 | 3 | 1 | 12 | 38 | 38 | 12 |
| Competitors | 3 | 2 | 2 | 1 | 38 | 25 | 25 | 12 |

Source: Survey data 2013. MFI: Microfinance institutions

issues and competitors very often. Economic conditions that were expected to be followed include trends in national inflation, national GDP, interest rates and foreign exchange rates. Low level of observing these environmental factors advocates a low level of marketing orientation.

#### *4.4.3. Promotion*

A question regarding promotional strategy was also asked. 81% of the MFIs that were interviewed said they had a promotional strategy. Table 8 represents the frequency for steering promotions by the selected MFIs.

Results reveal that 12% conducted promotions to mobilized savings very often whereas 38% did that often. 38% conducted promotions sometimes whereas 12% never conducted promotions. 50% of MFIs claimed that they had a promotional budget whereas remaining 50% didn't have. It can be inferred from this scrutiny that MFIs are not doing much effort to attract customers.

Table 9 demonstrates responses by MFIs to the question about the extent to which budgetary distributions to promotions are made.

Results show that 50% of selected MFIs said to have their budget allocated between 1% and 4% while 12.5% said they distributed between 5% and 16%. 37.5% said they distributed above 17% of their marketing budget to promotions. The results show that little attention is being given to promotional activities by the MFIs as it is confirmed by their relatively low expenditure on promotions.

#### *4.4.4. Determining interest rates*

Respondents were given a list of methods which they might have used in interest rates determination. The list of market oriented approaches were ensuing competitors, variable pricing and customer acceptance pricing. The other three approaches were financial oriented - mark-up pricing and cost plus build up and break-even analysis. These pricing methods were well explained in the questionnaire. The Table 10 shows that many MFIs used a combination of approaches in their interest rates' determination.

Results reveal that 50% of the MFIs uses market-oriented approaches for their interest rates' determination. This infers that the level on which MFIs depend upon prevailing market scenario in fixing interest rate was quite low. The overall result is that when it's about pricing, MFIs tended to be partly market oriented.

**Table 8: Number of times the MFIs conduct promotions**

| Number of times | Number of MFIs | Percentage of MFIs |
|---|---|---|
| Very often | 1 | 12 |
| Often | 3 | 38 |
| Sometimes | 3 | 38 |
| Never | 1 | 12 |

Source: Survey data 2013. MFI: Microfinance institutions

**Table 9: Percentage of promotional budget constituting marketing budget**

| Percentage of marketing budget distribution to promotions (%) | Number of MFIs | Percentage of MFIs |
|---|---|---|
| 1-4 | 4 | 50 |
| 5-16 | 1 | 12.5 |
| Above 17 | 3 | 37.5 |

Source: Survey data 2013. MFI: Microfinance institutions

**Table 10: Methods employed for interest rate determination**

| Method | Number of MFIs | Percentage of MFIs |
|---|---|---|
| Cost-plus build-up and mark-up pricing | 4 | 50 |
| Break-even analysis | 3 | 37.5 |
| Customer acceptance | 1 | 12.5 |
| Following competitors | 2 | 25 |
| Variable pricing | 3 | 37.5 |

Source: Survey data 2013. MFI: Microfinance institutions

### 4.5. Mobilization Strategies for Deposit among MFIs

Two savings approaches have been found to be used by MFIs i.e. forced savings and mobilization of voluntary savings. In case of forced savings, clients qualify for loan with the institution after saving for about an average of between 3 and 6 months. In the case of mobilization of voluntary savings, savers' actions were mostly based on personal motivation. An indication of gender bias was also there in the mobilization of savings and credit delivery among MFIs. Most likely the cause for this could be the reality that women made a big part of the poorest groups of population and mostly they followed independent economic activities. One more explanation was that MFIs' managers observed women to be reliable clients, and also found them to be more discipline than men in making regular loan repayments.

### 4.6. Loan Recovery Strategies among MFIs

It has also been found that many of the MFIs studied had strict methods for providing credits and decreasing default in loans payment. Savings and loans companies trusted on the background of borrowers, specific purpose of request for loans, an assessment of how did borrowers manage resources and disposition together with strengths and weaknesses, collateral and guarantee offered and whether they have kept with the company for a period of time.

On the other hand, NGOs considered factors alike regular cash flow from business on behalf of which the loan was required, a guarantor from the locality where the loan is being taken, presence to organized orientation, existing degree of exposure and business training sessions.

From the above-mentioned, it could be assumed that both marketing and financial considerations with more importance on the latter were taken into account before granting loans. This had caused in high recovery rates.

## 5. CONCLUSION

From the beginning, this study search for finding out that whether MFIs use marketing approaches and strategies in getting the productive poor within Multan district. The research aimed to test the hypothesis that "whether or not MFIs in Multan district are market oriented in delivery of credit and mobilizing the savings."

Both primary and secondary data were used for conducting the study. Secondary information was utilized to create the standard benchmark for determining the market orientation of chosen institutions and deliver additional information about interrelated empirical studies previously carried out in the area of microfinance marketing. Primary data for the research was gathered, using self-administered questionnaire to eight selected MFIs in Multan.

One of the key findings from this study is that marketing activities are not properly organized in MFIs within Multan district. Secondly, there is a very little focus on marketing in the corporate policies and strategies of institutions. Thirdly, there is small budgetary allocation to marketing activities by MFIs within the Multan district. Also, MFIs have not revealed much commitment for strategic marketing of its products at management level.

In a wide spectrum, findings of the study prove the hypothesis that MFIs in Pakistan are not market oriented in delivery of credit and mobilizing the savings.

## 6. RECOMMENDATIONS

Grounded on conclusions drawn from the result of the study, following recommendations are made:

1. MFIs predominantly should create marketing departments. These departments must be strengthened by hiring people with needed skills, knowledge and experience in functions related to marketing. This will guarantee revenue growth, financial sustainability and customer satisfaction. This is so as marketing is the basic of the forces that drive business profit and success
2. It is obligatory for MFIs to custom out customer service packages which should include product availability and innovations. Nature of each constituent requires research as various service offerings with dissimilar interest rates are probable to be needed by all of them and diverse marketing strategies and approaches are likely to be needed
3. MFIs must strengthen their marketing planning competences and capabilities particularly in the environmental awareness section. This is specially so, because of the costs of changes in environment on the operations of MFIs and their inferences for MFIs' choice of strategy
4. There is a need to announce new products on an incremental basis. This should be done by announcing one or very few at a time, so as to MFIs staff and clients can manage, monitor and comprehend them properly
5. Product innovations have not to be a one-stop gap measure; rather it should be an on-going program to increase the quality of financial services which are being provided to clients.

## REFERENCES


Berry, L.L., Thompson, T.W. (1982), Relationship banking: The art of turning customers into clients. Journal of Retail Banking, 4(2), 64-73.

Carlson, L., Groove, S.J., and Kangun, N. (1993), A Content Analysis of Environmental Advertising Claims: A Matrix Method Approach. Journal of Advertising, 22(3), 27-39.

Christopher, M., Payne, A., Ballantyne, D. (1991), Relationship Marketing. Oxford: Butterworth-Heinemann.

Churchill, C. (2000), Banking on customer loyalty. Journal of Microfinance, 2(2), 1-21.

Cravens, D.W. (1991), Strategic Marketing. 3rd ed. Hanewoo, IL: Richard D. Irwin.

Drucker, F.P. (1974), Management: tasks, Responsibilities, Practices. New York: Publisher Harper & Row.

Drucker, F.P. (1990), Managing the Non-Profit Organization. Available from: http://www. books.google.com.gh/books?isbn. [Last accessed on 2008 Oct 12].

Fifield, P. (1994), Marketing Strategy. Oxford: Butterworth-Heinemann Ltd.

Gronroos, C. (1990), Service Management and Marketing: Managing the Moments of Truth in Service Competition. Lexington, MA: D.C. Health Lexington Books.

Gronroos, C. (1990a), Marketing redefined. Managerial Decision, 28(8), 5-9.

Kholi, A.K., Jawarski, B.J. (1990), Cited in Hooley, G.J., Saunders, J.A., and Piercy, N. F. (1998), Marketing Strategy and Competitive Positioning. 2nd ed. New Jersey: Prentice-Hall.

Kotler, P. (1994), Marketing Management: Analysis, Planning, Implementation and Control. 8th ed. New Jersey: Prentice-Hall.

Levitt, T. (1981), Marketing intangible products and product intangibles. Harvard Business Review, 1981, 94-102.

No. 10, M. (2009), Unraveling the Delinquency Problem (2008/2009) in Punjab-Pakistan. Pakistan Microfinance Network (PMN).

Piercy, N. F. (1998), Marketing Strategy and Competitive Positioning. 2nd ed. London: Prentice-Hall.

Robinson, M.S. (1994), In: Otero M, Ryne E, editors. Savings Mobilization and Micro-Enterprise Finance: The Indonesian

Experience in the New World of Micro-Enterprise Finances. West Hartford: Kumarian Press.
Ryans, A.B., Wittink, D.R. (1977), The marketing of services: categorization with implications for strategy. In: Greenberg B, Bellenger D, editors. Contemporary Marketing Thought. Chicago: American Marketing Association. p312-314.
Steel, W.F., Andah, D.O. (2003), Rural and Micro Finance Regulation in Ghana: Implications for Development and Performance of the Industry Africa Region. Working Paper Series No. 49: The Consultative Group to Assist the Poor. Available from: http://www.cgap.org.
Syedah, A., Shan, E., Anum, B.S., Zeshan, A., Kaleem, K.M. (2013), Budding issues in microfinance sector of Pakistan. Science International, 25(4), 921-925.