Marketing at the bottom of the pyramid: service quality sensitivity of captive microfinance borrowers

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Abstract

Purpose – The aim of this paper is to survey the working poor who are microfinance borrowers, examining their perceptions of customer satisfaction and corporate social responsibility.

Design/methodology/approach – Validated scale measures were presented in a cross-sectional field study survey of 201 respondents. OLS regression was used after determining factor loadings and reliabilities.

Findings – Customer dissatisfaction with the microfinance product, lack of commitment from lender's staff, and dissatisfaction with informational support, were all significantly related to future purchase intentions. Only dissatisfaction toward the firm's people was significantly related to perceptions of CSR.

Practical implications – Dissatisfied poor would prefer to buy elsewhere, even if they find the seller to be socially responsible. However, attitudes and behaviors of the firm's agents convey low CSR. Microfinance customers were sensitive to customer service. Service quality was also significantly related to their perceptions of CSR.

Originality/value – This exploratory research is novel, examining stakeholders at the bottom of the pyramid. Indian respondents came from the origins of microfinance, and are seldom sampled. Despite being captive customers with few alternatives, microfinance borrowers are sensitive to customer service. This service is also significantly related to their perceptions of CSR.

Keywords Microfinance, Corporate social responsibility, Bottom of the pyramid

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

The emergence of microcredit in the early 1980s in countries like Bangladesh, Bolivia and Indonesia demonstrated that lending to the poor can be undertaken successfully, even without requiring collateral. Microfinance and microcredit are often used as synonyms, although microcredit is only the tip of the microfinance services iceberg. Micro credit provides small loans mostly to poor women below the poverty line to start or sustain their small businesses. This paper will refer to the broader realm of microfinance which is supplied by microfinance institutions (MFIs). They offer a variety of financial products such as loans, savings, insurance, and transfer services which are targeted at low-income clients who are generally excluded by formal financial institutions. The primary focus has traditionally been to alleviate poverty, while another underlying objective is to make profit. The largest providers of microfinance throughout the world are either government or non-government agencies. The next largest source categories are commercial banks and other profit-centered institutions (Remenyi and Quinones, 2000). A survey by World Bank revealed that almost 73 percent of lenders were NGOs, around 13 percent credit unions and 7.8 percent commercial banks (Dichter, 1999)

Microfinance has grown both globally and in India at a rate of 15-20 percent in 2012, and was forecast to grow at about 15 percent in 2013 (Etzensperger, 2012). Since the 2005 "International Year of Microfinance," questions of how well the microfinance model is working in meeting its primary objective of alleviating poverty have been raised quite consistently (Bateman, 2010; Goldberg, 2005; Khan, 2008). On the positive side, microfinance has contributed to considerable reduction in poverty levels in certain underdeveloped countries. For example 40 percent reduction of poverty over 14 years in Bangladesh has been attributed to microfinance (Khandekar, 2005). MFI claims of low default rates among borrowers as well as empowerment of women have created an impression that poverty in low income countries is slowly being eradicated (Develtere and Huybrechts, 2005). Those promoting microfinance as beneficial for women see it as initiating a "virtuous upward spiral" of economic, social and political empowerment. In addition to being a focal force in enhancing physical and psychological wellbeing of women, microfinance benefits womens' immediate families, and assists in the ability to negotiate gender role improvement and overall status (Mayoux, 1999). However, some researchers have questioned the degree to which microfinance services do in fact benefit women. They have argued that for women, in some contexts, programs may even be disempowering, reducing women to unpaid debt collectors for development agencies, and increasing tensions within the family (Goetz and Sen Gupta, 1996). Some argue strongly that microfinance

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programs divert resources and/or the attention of women themselves from other more effective strategies for empowerment (Ebdon, 1995) such as education. The environmental context in which microfinance is offered includes the services the MFI provides and subsequent impact on the livelihoods of people. It is currently under researched. (AIDMI, 2005; AIDMI, 2006; Chakrabarti and Bhatt, 2006; Nagarajan, 1998; Pearl and Phillips, 2001; Zaman, 1999)

Among the criticisms (Snow and Buss, 2001) are accusations of mission drift from original charitable intentions, and creation of "microfinance millionaires" from firms offering high interest rate loans that exploit the poor (Fernandez, 2011). Bateman (2010) also presents concern as to whether MFIs or the prosperity they facilitate are truly sustainable in terms of poverty alleviation and raising living standards among poor. Hassan (2002) observed conflicts between villagers and high interest rates in the failure of microfinance in some parts of Bangladesh.

The literature shows that in many parts of the developing world, microfinance institutions (MFIs) continue to advocate a Grameen style (Rozario, 2002) one-size-fits-all policy which standardizes the client pool and service structure (Bhatt and Tang, 2001; Navajas *et al.*, 2003). This approach can be attributed to some extent to the continuing dominance of NGOs and nonprofit organization as the main providers of microfinance. Not being client services marketing organizations, they may lack the experience and creativity to look beyond their own agendas and assumption models. Dichter (1999) suggests that the NGOs tend to offer small and short term loans in the service, small manufacturing and commercial sectors, while banks and credit unions are more likely to provide funds for agriculture, housing and consumption as well as enterprise development.

Recent research has questioned using the repayment rate as the sole indicator in determining the success of microfinance (Armendariz and Morduch, 2007; Nanayakkara and Iselin, 2012). While low borrower default is beneficial to the providers in demonstrating the success of their programs from a financial risk perspective, non-monetary data is often ignored in this process. Other important measures of success such as customer satisfaction and repurchase intention arise from the business relationships engendered in microfinance. As the microfinance sector is becoming more formalized in policies and procedures primarily due to government intervention in countries like India, popular actors like banks are taking important roles as providers of this service. Unlike the NGO these organizations have the infrastructure and expertise to go beyond community charity, toward integrated financial services.

Following Prahalad's (2005) epic work on the marketing implications of bottom of the pyramid (BOP), researchers of late have looked at different attributes of BOP marketing in varying contexts. Sridharan and Vishwanthan (2008) placed emphasis on the innovative practices to be followed in marketing to the bottom of the pyramid. In a study conducted among the poor in South India, they highlight the importance of social embeddedness, entrepreneurial empowerment, and understanding of consumer psychology as key ingredients in developing a successful marketing strategy. However, the BOP marketing perspectives of microfinance have not been widely researched as yet. Our study propose that marketing attributes like product features, information on the product, and level of service provided by the field staff may need to be taken into account in evaluating the success of these programs. Corporate social responsibility (CSR) from a borrowers' marketing context is also under-researched. A reason for this could be that since majority of the microfinance customers are captive audience, researchers presume that using measures like Purchase Intention does not provide any valid results. However, researchers like Prahalad and Hammond (2002) have identified several misconceptions of assumptions for the bottom of the pyramid which need to be corrected. For example, beliefs that the poor have no money, and they do not spend on non-essential goods may be wrong. These misconceptions take roots from the wider context service literature. Similar assumptions that microfinance customers, being captive audience, require little attention to marketing attributes could be challenged.

The purpose of this paper is to empirically examine the attitudes of these bottom rung lending consumers toward the providers they use, and how they perceive the firms' CSR. We intend to show that aspects of relationship quality (RQ) may be germane to BOP marketing. RQ is considered a relational mediator between various product attributes and customer loyalty (Palmatier *et al.*, 2006). Satisfaction, trust, and commitment are key elements to positive RQ (Crosby *et al.*, 1990). Ethics of the vendor is highly influential to customer perceptions of relational quality. The seller's customer service representatives who interface directly with the buyer are particularly vital to positive RQ (Crosby *et al.*, 1990). Research has shown that loyalty and retention are impacted by the quality of these relationships (De Wutf *et al.*, 2001).

Customer satisfaction and repurchase intention could serve as strong indicators of the acceptability of the products. Also, without collateral to secure debt, a satisfied borrower is likely to pay back their loans and continue returning for more funds. This behavior arises through customer satisfaction with the product and its related services. Thus, in evaluating the performance of a MFI, non-monetary data are useful such as customer satisfaction. This study makes a contribution to literature on microfinance at a strata comprised of the most basic interface between lender and customer. It also examines these borrowers' perceptions of the firm as a corporate citizen.

CSR

Corporate social responsibility is a broad term. The concept of CSR arose as a response to corporate entities consumption of resources, while paying little or nothing back to the community. Corporate social responsibility is the notion that corporations have an obligation to society. Maignan and Ferrell (2004) classified it into aspects of social obligation, ethics, managerial process, and stakeholder obligation. Functionally, CSR reaches beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers and neighboring communities (Jones, 1980). Our study involves all four aspects of CSR, with an emphasis on managerial processes that affect the firm's lending clients as primary stakeholders.

Organizations engaging in CSR are showing concern for quality of life issues that impact their workers and families, and generally extend their initiatives to the local community and society at large. There is great potential for CSR to help with development in poor countries, especially community-based initiatives (Kannenkanti and Muddu, 2008). The

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majority of these CSR projects have been established in developing countries in Asia, Latin America and Africa. A common approach of such CSR is through the giving of aid to local organizations and impoverished communities.

Governments and CSR

A government has limited resources. However, demands on governments have no limits, especially from the poor and disadvantaged. Therefore governments encourage those who benefit from a community's resources to share a part of their profits to improve the conditions in that community. For example, The Reserve Bank of India (RBI) has been deeply concerned at the disparity between urban and rural consumers of India (RBI, 2012). RBI has a Rural Planning Credit Department (RPCD) that is directly responsible for the flow of credit to rural, agricultural, and small scale sectors. The RBI also has a fully-owned subsidiary called the National Bank of Agriculture and Rural Development (NABARD), which encourages the increase in rural banking and coordinates the financing of rural development projects. The RBI, through the RPCD and NABARD, has instituted several policies to encourage rural banking. These policies are directed towards private sector banks and encourage them to focus on rural customers. In other words, RBI regulations in the banking sector have forced commercial banks to focus some of their attention onto the rural financial market. As microfinance is a financial service for the poor, banks are suitable agencies to implement the programs attempting to lift the poor from the poverty level. Banks that want to enter into Indian rural areas sometimes have a statutory obligation to implement CSR activities along with their lending operations.

Microfinance lenders and CSR

Microfinance is a focal element of CSR in some new age banks in India. New age banks are defined as those banks in India that are characterized by a strong emphasis on the retail side of banking as well as their use of technology. In other words, their way of operation is not different from those witnessed in the USA or Europe (Prahalad, 2005). These banks expect CSR initiatives to create and sustain organizational legitimacy to the target audiences (Prahalad, 2005). Indeed, research confirms the value to financial institutions of being socially responsible (Asher, 1991; Ogrizek, 2002; Pomering and Dolnicar, 2006).

Despite being laudable in its intent, organizational strategy-makers are not the same ones who actually do the final delivery of microfinance to the end user. MFI's employ a large number of people in their ventures and may not have the complete control of the motives or commitment of each employee. Some employees and field staff would understand the long term implications and rationale of the firm's policy and procedure. To others, creating an immediate profit is much more a priority than aiming for long term benefits. While microfinance is a pure business at some places, other agents would comprehend the social responsibility aspects. Thus success or failure of microfinance may be related to the CSR commitment of the microfinance institution, and the attitude of the field staff.

Objective of this study

Banks claim that their microfinance programs and CSR activities are seamlessly integrated. They point out that the consumers are coming back to the banks again and again for new loans and that it is a sign that their activities are highly appreciated by the consumers. However, these claims could be dubious when examined in the context of aforementioned less glowing observations. Clarity on the following questions is sought:

- whether the high repayment rate of loans is a sign of success of microfinance and CSR;
- whether the consumers of microfinance are satisfied with the CSR commitment of the MFI;
- whether the future purchase intention of the consumers is related to the treatment they receive from the lenders staff;
- whether the consumers are satisfied with the information provided to them by the MFI; and
- whether there is a relationship between future purchase intention and perceived CSR commitment of the MFI.

The company commitment for this study is observed in terms of product perceptions, field staff commitment, and informational support. The results of this study at the bottom of the pyramid will indicate if the users of microfinance would engage in critical service shopping behavior given the opportunity, or are they more accurately characterized as passive captives to the MFI. No such study seems to have been undertaken. Additionally, we are seeking any linkages between consumer perceptions of CSR activities and re-purchase intention. In other words, to what extent might the borrower who sees the firm as being socially responsible be loyal?

Future purchase intention and dissatisfaction of the microfinance customer

The evidence from literature suggests that consumer responses to CSR vary. Studies by some researchers found that consumers respond to CSR in a positive way if they identify an organization as having similar perspectives as their own (Maignan and Ferrell, 2001; Webb and Mohr, 1998).

Sen and Bhattacharya (2001), in their research, focused on the key mediating and moderating factors on consumer responses to CSR activities. The authors suggested that the company's CSR activities led to more favorable company evaluations and greater purchase intentions through building consumer–company congruence. Congruence aligns a company's interests with the customer's interest, which results in favorable consumer attitudes. Based upon the study, consumers will have a more favorable evaluation and high purchase intention if the company's traits expressed through CSR activities overlap with the consumer's values.

Hypotheses

The first step of our study is to link consumer-company congruence in microfinance by observing dissatisfactions of microfinance borrowers. These are broken down into dissatisfaction with the microfinance product, perceived lack of commitment from lender's staff, and dissatisfaction with informational support from the lender. The study expected that all would be significantly related to future purchase intentions.

Unhappy customers are the ultimate undesired outcomes in marketing. In isolating aspects of customer discontent that would impact future purchase intentions, the product itself is a central area of concern. Thus, our first hypothesis states:

H1a. There will be a significant relationship between negative attitude toward the microfinancing product, and intentions to use the lender in the future.

Among other elements of the purchase experience, behavior of the vendors' staff can be instrumental in maintaining the business relationship with customers. The study hypothesizes that:

H1b. There will be a negative relationship between perceptions of lack of commitment from staff of the microfinance lender, and intentions to use lender in the future.

In a transaction environment with high service components and unequal distribution of information between parties to the transaction, in favor of the seller, the advice and information which are furnished may be instrumental in maintaining positive future purchase intentions. The study seeks to establish this with the following hypothesis:

H1c. There will be a negative relationship between dissatisfaction with informational support from the microfinance lender, and intentions to use lender in the future.

Perceptions of banks' corporate social responsibility and microfinance customer dissatisfaction

The new age banks in India have clearly stated that they are pursuing microfinance as part of their CSR. Despite the commercial nature of the banks and heavy competition in India's financial sector, there is a desire to respond to social needs of providing financial aid to the poor. This is very similar to the strategic approach towards CSR, as suggested by Kotler and Lee (2005). By following this strategy, new age banks are trying to achieve the dual advantage of being good corporate citizens while also embarking on profitable ventures. Those who support the adoption of CSR policies strongly feel that such practices may enhance the reputation of the bank and, subsequently, enable companies to reap long term strategic benefits by maintaining legitimacy, competitiveness and sustainability in the market (Burke and Logsdon, 1996; Johnson, 2003; Lantos, 2002; Porter and Kramer, 2002).

It would be useful to determine the extent to which microfinance borrower discontent relates to their perceptions of the firm's CSR. Here again the study observed consumer discontent in three contexts. These were dissatisfaction with the microfinance product, lack of commitment from lender's staff, and dissatisfaction with informational support from the lender. The study hypothesized that consumer discontentment would relate to perceptions of the firm being a poor corporate citizen.

Hence, the research proposes the following hypotheses.

The first hypothesis anticipates that borrowers will be unimpressed with the firms CSR stance if they do not like the microfinance product that they are receiving.

H2a. There will be a significant relationship between negative attitude toward the microfinancing product, and perceptions that this lender is a good corporate citizen.

If the lender does not provide good commitment and service through its staff, we anticipate a direct linkage to the perception that the firm is not a good corporate citizen. Thus, the second hypothesis states that:

H2b. There will be a negative relationship between lack of commitment from staff of the microfinance lender, and perceptions that this lender is a good corporate citizen.

MFIs unlike the other financial institutions are expected to provide higher degree of service to the consumers. This could include services like management training for the new venture, assistance in marketing the products, and classes on financial management. Firms that do not provide good informational support of their products to the microfinance customers will fail to achieve positive perceptions of their CSR initiatives. In this hypothesis:

H2c. There will be a negative relationship between dissatisfaction with informational support from the microfinance lender, and perceptions that this lender is a good corporate citizen.

Method

The sample for this study involved 201 borrowers of microfinance from the state of Kerala and Tamilnadu in South India. An exploratory cross sectional field study was employed in investigating perceptions of microfinance borrowers. Using principal component analysis, scale items loaded distinctly into correlational coefficients in factor analysis. After establishing reliability of the measures, ordinary least squares regression (OLS) was used to estimate the linear relationship between the Consumer Discontent independent variables and dependent variables of future purchase intentions and perceived CSR. Survey data was analyzed using SPSS.

Measurement

Independent variables were aggregated items adapted from the Customer Discontent Scale (CDS), developed by Lundstrom and Lamont (1976). Statements were modified as appropriate from the original items to measure the discontentment of customers of microfinance. Items such as "Micro finance provider is not willing to listen to consumers" were scored on a five-point scale from "strongly agree" to "strongly disagree" (Lundstrom and Lamont, 1976; Rugimbana *et al.*, 2005).

Dependent variables were single item measures of future purchase intentions and perceived CSR of the MFI.

Sampling

Data were acquired from the individual microfinance borrowers by permission from two major banks, with strong roots in South India, who were involved in microfinance through their CSR initiatives. One of the banks contributing respondents for this study is a microfinance pioneer in India, and to date has the country's largest number of microfinance customers. This organization has been involved in microfinance for more than ten years and they explicitly state in their mission statement that they are pursuing microfinance as part of their CSR. Part of the bank's mission statement is to identify and support initiatives designed to improve capacities of the poorest of the poor to participate in the larger economy (Duggal and Singhal, 2002). This is consistent with the strategic goal to support the downtrodden as a good corporate citizen (Prahalad, 2005).

Loans were disbursed in the states of Tamilnadu and Kerala. These states represent more than 100 million in population, and have large numbers of rural customers of microfinance. The microfinance customers had organized themselves into self help groups (SHGs) and they held meetings every week. Each SHG consisted of 15 to 20 members. The data were collected by visiting ten SHGs each in Kanyakumari and Trichur district of Tamilnadu and Kerala respectively. The self-administered questionnaire was distributed at the end of a regular meeting. The researcher gave a brief introduction, explaining the purpose of the study and assuring the respondents of strict anonymity.

The survey was translated into Malayalam (the language of Kerala) and Tamil (the language of Tamilnadu) and back-translated to English, to ensure the clarity of all items. Complete surveys were acquired from 201 borrowers. Nearly all were females whose employment status was part-time. The possible reason for the high percentage of female respondents could be the women centric approach of the MFI (more than 98 percent of total loans given to women), as was indicated by the managers during the interview process. The mean age of respondents was 35. The response rate was 97.5 percent. This is in line with the claims of Saunders *et al.* (2006) that delivery and collection of questionnaires in person by a researcher can achieve up to 98 percent response rate.

The approach of the study was to determine consumer experience and contentment with regard to the CSR strategy of the banks. The issues of interest in this study could only be answered by the people who were involved in the microfinance transactions. There were three groups of people involved. The first group or most important one was the consumers of microfinance. The second group consisted of managers of the bank. The third group consisted of field managers and staff members of the MFI directly involved in processing the microfinance loans and collecting the repayments. The full research project followed a mixed methodology of interviews with the bank managers, field staff of the MFI, and survey of microfinance customers.

Managers interviews

Interviews were conducted with managers of banks and intermediaries. The interviews were considered as a suitable methodology for fuzzy research issues, thereby helping the researcher to gain more insight into the area under examination (Kwortnik, 2003). The objective underpinning this approach was to get rich, detailed data based on the experience and language of respondents. There are no rules for calculating the sample size for qualitative interviews; however, most researchers recommend small samples. The adequacy of the answers to the research question is the most important factor in determining the right sample size for a qualitative study. For simple questions, this might be in single figures (Marshal, 1996). For this research, six interviews were conducted to collect qualitative data. A list of 52 questions seeking information on various aspects of the MFI strategy and their underlying intention was framed. A judgmental sampling approach was used to select the respondents (Gwinner *et al.*, 1998). Two branch managers of banks who had direct dealings with the field staff were available for interviews. The managing director and a senior manager of the MFI and two field managers, who belonged to lower level management of MFI, were also selected for the interview. The MFI had one Managing Director, eight senior managers reporting to them, and 35 field managers.

Results

Three constructs of consumer discontent loaded through confirmatory factor analysis with Varimax rotation and Kaiser normalization. A four-item measure of negative attitude toward the microfinancing product had an alpha of 0.81. We will refer to it as dissatisfaction with product. Three items indicating lack of commitment from lender's staff had $\alpha = 0.76$ reliability, and dissatisfaction with advice and information from microfinance lender was indicated by a three item measure with $\alpha = 0.70$ reliability. These are referred to as dissatisfaction with staff and dissatisfaction with information, respectively. Of the survey respondent borrowers, 23 percent indicated dissatisfaction with the product; 40 percent had dissatisfaction with the staff, and 59 percent were dissatisfied with the informational resources furnished.

Table I presents the correlations between variables. Table II shows the main effects.

H1a (There will be a significant relationship between negative attitude toward the micro-financing product, and intentions to use the lender in the future), *H1b* (There will be a negative relationship between perceptions of lack of commitment from staff of the microfinance lender, and intentions to use lender in the future), and *H1c* (There will be a negative relationship between dissatisfaction with informational support from the microfinance lender, and intentions to use lender in the future), are supported in finding that microfinance customer dissatisfaction was negatively related to intentions to use the lender in the future. The β-values of dissatisfaction with product, dissatisfaction with staff, and dissatisfaction with information are -0.245 ($p < 0.001$), -0.407 ($p < 0.001$), and -0.187 ($p < 0.001$) respectively. The adjusted R^2 is 0.453, indicating that the three variables explain 45 percent of variance. Thus, all three types of customer dissatisfaction are significantly related to a desire to not use the lender again in the future.

H2 is partially supported. The finding of significant relationships between dissatisfaction with staff and perceptions of lender's corporate social responsibility, β -value of -0.287 ($p < 0.01$) was not present with dissatisfaction with product and dissatisfaction with information. Thus, only *H2b* was supported. The adjusted R^2 for the CSR relationship with in this model was only 0.1, indicating that other elements were more influential in perceived social responsibility.

Testing for multicollinearity in the regression model showed the independent variables to have tolerances in excess of 0.7, and VIF between 1.3 and 1.4 (see Table III). None of the condition indexes exceeded 10.9, indicating there is not a problem of multicollinearity in the model.

Relevant information from qualitative inquiry

The data collection included six qualitative interviews with bank managers, as well as field staff of the lending intermediaries. A few relevant background elements are included here to add useful context for the discussion.

Journal of Consumer Marketing
Volume 30 · Number 7 · 2013 · 573–582

Table I Descriptive statistics and correlations

Variable	M	SD	1	2	3	4
Future purchase intentions	2.3	1.2				
Perceived CSR	2.1	1.2	0.477**			
Dissatisfaction with product	3.3	0.9	−0.492**	−0.056		
Dissatisfaction with staff	3.2	0.9	−0.605**	−0.285**	0.444**	
Dissatisfaction with information	2.9	0.9	−0.464**	−0.210*	0.385**	0.457**

Notes: $^{*}p < 0.01$; $^{**}p < 0.001$

Table II Regression analyses for future purchase intent and CSR

	Purchase intent			CSR		
Variable	***B***	**SE *B***	**β**	***B***	**SE *B***	**β**
Dissatisfaction with product	−0.313	0.079	−0.245**	0.150	0.101	0.116
Dissatisfaction with staff	−0.512	0.080	−0.407**	0.364	0.103	−0.287*
Dissatisfaction with info.	−0.226	0.075	−0.187**	−0.155	0.097	−0.127
R^2		0.453			0.104	
F		52.55**			7.36**	

Notes: $^{**}p < 0.01$; $^{**}p < 0.001$

Table III Test of collinearity

Variable	Tolerance	VIF
Dissatisfaction with product	0.761	1.314
Dissatisfaction with staff	0.710	1.409
Dissatisfaction with information	0.752	1.330

Rate of repayment on loans. Managers were asked to comment on the repayment rate of loans. All managers interviewed agreed that it was more than 95 percent. They claim that the reason for this could be the exemplary services they provide as opposed to the captive nature of the product. Field managers visit their assigned self-help group weekly. They develop a direct relationship with all the members of the SHG. This encourages all members to be prompt in their repayment. Managers provided the following reasons for the high repayment rate:

1. *Peer pressure.* Peer pressure is a major reason for high repayment levels. There is a fear of exclusion from the SHG and the feeling that your default would affect the credibility of the SHG.
2. *Relationship banking i.e. future loans.* The members who default will not be considered by the MFI for future loans.
3. *Beliefs.* The field managers of Kerala and Tamilnadu have another interesting reason for the repayment, which is related to their fishing subculture. They said the majority of their clients were women and their husbands were fishermen. They strongly believe that if they do not pay back a loan taken from any source, they will face set-backs from the sea in the form of rough waters.

Discussion

The first hypothesis involves future purchase intentions. We see that all three elements of customer dissatisfaction are related to the purchase intentions. Thus, the retention of the banks' business relationship with their microfinance borrowers is influenced by the treatment they receive. This is the first research to determine that microfinance customers at the bottom of the pyramid are sensitive to customer dissatisfaction elements in the retention of their business. In this study, the three variables of dissatisfaction with the microfinance product, lack of commitment from lender's staff, and dissatisfaction with informational support from the lender could cost the lender a client, as unhappy borrowers wanted to change to a different lender. In many cases, these borrowers may be a captive audience. However, it is likely that they could be lured away if opportunity arises, and discontent would be influential in shopping for other lenders.

A conclusion from this study is that high repayment rates for captive borrowers may be based on other elements than customer satisfaction. Influential reasons shown through the qualitative questioning in this data collection indicate that borrowers experience peer pressure from their self-help group to repay their loans. They also fear collection agents as well as fear not receiving further loans. As a result, 91 percent of them take loans to repay previous microfinance loans. The narratives point to the hollowness of banks' claims of pursuing a woman-centric approach for the purpose of promoting gender equality and empowerment of women. It sounds likely that they favor lending to women simply because they are better borrowers and are more easily intimidated.

In the second group of hypotheses, we find that relationships with bank's personnel are more influential in CSR perceptions than the products and information. From a CSR stakeholder perspective, the microfinance borrower is most influenced by the direct experience they have with the staff members who service their business. At the same time, their liking of the product itself, or the informational support they receive as a microfinance customer, is not significantly related to their perception of the firm as being a good corporate citizen. In other words, we found that dissatisfaction with the product the microfinance lenders offer is not related to customers' perceptions of the lender's

CSR. Instead, it is the individual treatment these borrowers have received from the staff in the field that influences their belief that the bank is a good corporate citizen.

Implications

The Reserve Bank of India has recently included microfinance as mandatory by putting it under the priority sector lending. Many banks ventured into microfinance because of this compulsion and this could make the industry more competitive. As microfinance develops in other markets, particularly in more highly developed economies, sensitivity to customer dissatisfaction should be considered important in retention of customers. Without this empirical evidence, lenders may feel comfortable in taking a cavalier attitude toward customer satisfaction based upon high retention and high repayment rates in this profitable business segment. Recent research on the bottom of pyramid consumers highlights the importance of a consultative continuous interaction with the help of social networks (Chikweche and Fletcher, 2012). The relational aspect of continuous interaction is of utmost importance in the case of microfinance. Microfinance lenders need to make sure their staff are thoroughly trained and motivated to effectively cultivate the client relationship, especially at the field level.

Implications for practice are that lenders desiring their microfinance borrowers to see them as good corporate citizens need to focus on the customer contact furnished by their staff, in maximizing the relationship. Microfinance borrowers need the money, but their perception of the firm as a weak corporate citizen is associated with poor treatment by staff, rather than the microfinancing product itself. If the bank is to be successful in its objective of being socially responsible, and the microfinance transaction is a focal action of this initiative, then it follows that the lender needs to focus on the effectiveness of their staff at the field level. Other stakeholders, including the local community and society at large, are usually considered in discussions of CSR of microfinance. This is the first research to investigate the CSR perceptions of the actual recipients of microfinance.

In discussing the interrelationship between customer dissatisfaction and CSR, while dissatisfaction with the product itself is negatively related to future purchase intentions from the same lender, it is not significantly related to CSR perceptions. Perhaps customers perceive that microfinance is a less desirable business for a bank, and that just because they do not like the product does not mean that the bank is not being socially responsible. The same could be said for the informational support microfinance clients receive. The power of the relationship with the servicing staff members is highlighted in recognition of their double impact from this study, in seeing significant relationships between dissatisfaction with lenders' staff and future purchase intentions as well as perceptions that the lender is a good corporate citizen. At the same time, it is important to note that CSR perceptions were only influential on one out of the three satisfaction measures, leading to the conclusion that customers do not stay because of CSR perceptions. The higher management should train the field staff to maintain consistency with the charitable mission so that long term goals of microfinance and corporate social responsibilities go hand-in-hand.

Limitations and future study

This study is not without limitations. As it is cross-sectional in design, causality cannot be inferred. Results can only be generalized to the population studied. Sample size and survey demographics need to be larger in future studies. A broader base of sampling could make inferences based upon the attitudes and behaviors arising from traditional NGOs compared to other types of lenders. Ideally, we will achieve a cross-cultural mix in future data collections.

However, the research makes a contribution in its ability to sample a population that is not readily accessible for questionnaires, and one that is traditional in the sense that it is the poor of a global region where microfinance originated. In future research it would be good to study direct linkages of whether CSR perceptions are influential in continuing purchase intentions with the firm. Sampling of more developed markets could indicate any differences in the behaviors of these clients. Of particular interest is whether high repayment rates are maintained in higher markets. Also, what is the customer withdrawal behavior of borrowers who have more options for funds than the traditional poor.

Conclusions

Microfinance has proven itself as a viable method to combat poverty by giving the most vulnerable small business people access to desperately needed capital. Microfinance is a natural and powerful example of corporate social responsibility, and speaks to the highest order of business charity through assisting hard working families living in desperate poverty. This type of lending is now recognized as highly profitable, bringing interest in the product to other markets more developed, but accompanied by some confusion of the original motivations through what is known as mission drift (Bateman, 2010).

Our exploratory research has gone to the very foundations of microfinance to examine client recipients among the poor. As Hart and Dowell (2011) have noted, the difficulty in accessing BOP respondents may be the reason that the vast majority of such research has been solely qualitative. Although our findings are not counterintuitive, these are the first observations in literature to move beyond the anecdotal to the empirical. We show that these poor have marketing perceptions just as well as do higher classification buyers. Their experience of customer dissatisfaction relates to their future purchase intentions. Even the low sophistication customers at the bottom know what corporate social responsibility is, and they relate it to their experiences with the lending staff. We find that it is ultimately the relationship with staff that is more influential than CSR perceptions in engaging these customers favorably. As fine and worthy as CSR is to this lending process, MFI's need to bear in mind that service is the ultimate determinant in client retention, even at the bottom of the pyramid.

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Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may then read the article in toto *to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.*

Microfinance is the term used to describe the provision of loans and other financial services to low-income customers labeled as bottom of the pyramid (BOP) that conventional lenders typically reject. Government and non-government organizations (NGOs) and credit unions are the largest providers of microfinance around the world. Commercial banks and other for-profit establishments comprise the next biggest source.

Alleviation of poverty is a declared aim of many microfinance institutions (MFIs). Providers point to low rates of payment default as evidence that this is occurring. It is also claimed that microfinance helps to empower women in political, social and economic terms. Immediate families benefit as a consequence of this improvement in status. Other observers question the validity of such claims and suggest that education would be a more effective route to empowerment. Doubts over whether the supposed impact on poverty can be sustained are likewise expressed. Much of this criticism arises because of the lack of flexibility of the non-profit bodies that continue to dominate microfinance provision. The literature notes that such institutions are limited where knowledge and ability to create different models is concerned.

Evaluating the success of microfinance purely on repayment figures is also the subject of considerable debate in the academic community. In comparison, "non-monetary" data often merits only scant consideration. Included in this category are the likes of product information, repurchase intention and customer satisfaction with the product, the service provided and other aspects of the experience.

In the context of borrowing, corporate social responsibility (CSR) suffers from a similar lack of research scrutiny. At the heart of CSR is the belief that businesses have an obligation to conduct their activities in an ethical manner. This responsibly extends towards different stakeholder groups including customers, employees, suppliers, local communities and society in general. Improving the quality of life is a core aim of firms practicing CSR and is especially relevant within developing nations where considerable scope exists to become involved in programs which benefit resource-deficient communities. Governments view CSR as a means of alleviating some of the demands on their own resources and encourage corporations to redistribute some of their wealth.

Journal of Consumer Marketing
Volume 30 · Number 7 · 2013 · 573–582

One example of such an organization responding positively to these urgings is the Reserve Bank of India (RBI), which has provided funds for rural development and introduced policies to promote banking in rural areas.

In some Indian banks described as "new age" microfinance is considered a key aspect of CSR. Acting in socially responsible ways adds value to financial institutions, different studies have found. Plenty evidence suggests that consumer response to CSR is prone to fluctuate somewhat. More importantly, it appears that perceptions are normally more positive when organizational values mirror their own. This has prompted analysts to advise firms to create more congruence with their customers by mutually aligning their respective interests. This is regarded as a way of improving how the company is perceived and positively effecting purchase behavior.

In the present study, Jose and Buchanan explore these issues with regard to consumer perceptions of products, staff commitment and information provision. How these factors and consumer evaluation of CSR activities of the MFI impact on re-purchase intention is investigated. The important role that company personnel play in maintaining positive relations with clients is widely acknowledged. Information provision is similarly viewed in that it helps redress the knowledge advantage which sellers enjoy. Where CSR is concerned, banks are increasingly viewing microfinance an integral to their desire to be regarded as "good corporate citizens". The authors thus purport that consumers will reach the opposite conclusion if they are unhappy with the microfinance product, commitment of the institution's representatives or the informational support provided. Effectiveness in respect of the latter can be enhanced through training initiatives that focus on different aspects of management and marketing.

Data for the study was obtained from microfinance customers of two major banks operating within two states in South India. One bank has considerable experience in this area and openly declares that microfinance contributes to its CSR. The number of microfinance borrowers in these states is extensive and many attend weekly self-help groups. Subjects were approached during one of these meetings and 201 usable responses were obtained. Females accounted for the vast majority of participants, as are most MFI clients.

In addition to the self-administered questionnaire completed by customers, interviews were carried out with bank mangers and field staff responsible for processing MFI loans and payment collection. The aim was to acquire information pertaining to the organization's strategy and its supporting intentions.

From the subsequent analysis, it appeared that a negative impact on consumer intentions towards using the lender again in future arises if they feel dissatisfied with either the microfinance product, commitment from the firm's staff or the support providers by the MFI. Such poor perception of company personnel additionally prompts consumers to question the lender's credibility as a corporate citizen. It was anticipated that lack of contentment with the product or company support would have a comparable effect in this area but it was not supported by the data.

Managers reported that loan repayment rates were in excess of 90 percent and suggest this high level might be attributed this to the "exemplary services" the MFI provides. The field managers responsible for collecting payments are assigned a self-help group that they visit weekly. They believe that peer pressure contributes to high repayment levels in that borrowers worry about being excluded from the group and damaging its reputation should they default. Knowledge that they would be rejected for future loans from the lender is deemed another reason, along with the cultural belief that their fisherman husbands would encounter problems at sea if repayments are not made.

Customer sensitivity to dissatisfaction aspects are noted by Jose and Buchanan. Firms are thus warned against complacency inspired by the knowledge that clients are a "captive audience" and to not ignore the possibility of them being enticed elsewhere. The authors urge MFIs not to regard high repayment and retention rates as an excuse to ignore the critical issue of customer satisfaction.

Initiatives to retain clients should be alert to this. The importance clients assign to the lender's staff signals that considerable efforts must be made with regards to training and motivation. Relationship building is crucial and interaction through social networks is recommended. For personnel working in the field, these sentiments are especially important. Focusing on the effectiveness of staff is also needed if the lender is to achieve recognition for its CSR efforts.

Additional work could use varying sample sizes, demographics and cultural blends. Comparing perceptions of different lender types is another possibility, as is similar work examining repayment levels in more developed markets. As well, the authors advise further study on how CSR perceptions influence ongoing purchase intentions. A final proposition is to investigate customer loyalty among those who have other options available to them than BOP consumers.

(A précis of the article "Marketing at the bottom of the pyramid: service quality sensitivity of captive microfinance borrowers". Supplied by Marketing Consultants for Emerald.)