

Client Satisfaction Levels at Microfinance Institution: An Empirical Research

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Abstract—Since 2008 until now, Koperasi XYZ has never conducted any assessment of the satisfaction and interest of clients on loan services to micro businesses that are the focus of their services. On the other hand, customer satisfaction can be used as a critical indicator of institutional development success as well as supporting the success and sustainability of business activity. Thus, this research aims to understand clients' satisfaction and other factors that can reduce client satisfaction which will cause the client to quit. Respondents who were samples of the study were active clients in service branches of Koperasi XYZ, determined by a multistage random sampling method. Data analysis was done by using descriptive statistic using SPSS program. Based on Cartesian diagram mapping, it can be concluded that the performance improvement that priority should be given by The Koperasi is the factor of working hour, punctuality, fulfillment of appointment, loan amount, installment amount and loan term. The reason for outgoing clients is more influenced by factors outside the organization (pull factor) when compared to factors that come from within the organization (push factor). The existence of a gap (minus) between performance and importance indicates that efforts are still needed to improve the performance of the services provided, especially with the increased competition with external organizations that can draw clients out.

Keywords—Customer satisfaction, micro business, a microfinance institution

I. INTRODUCTION

One of the most critical factors in business growth and success is customer satisfaction and loyalty. Customer satisfaction and loyalty will encourage customers to appreciate their relationship with the institution and want to continue using the business institution, even if other competitors are trying to influence it. In relating to the microfinance business in Indonesia, which has a high competition and continues to grow a variety of similar institutions, institutional development based on customer preference, both existing and potential, is significant.

Customer satisfaction surveys are commonly conducted in many institutions such as banking and financial services. Such surveys are deemed necessary as an essential means of gaining input for enterprise marketing

development, and even some companies have developed a particular approach to researching and making customer satisfaction and loyalty a part of their corporate strategy. In relating to Koperasi XYZ, one microfinance institution in Indonesia, the company has never conducted a client satisfaction survey since 2008 for some reasons. The company realized that some of their clients quit, but the company has no attempts to understand their reasons to quit. Their clients are micro-entrepreneurs which mostly women. The primary goal of KoperasiXYZ is to support low-income people, especially women in urban and rural areas, including widows and people who need to be provided with social support, new people running businesses and less knowledge in the city, including street vendors.

The purpose of this paper first is to understand the level of client satisfaction with the service provided by Koperasi XYZ. Specifically, this research also aims to understand client perception toward the importance of financial services provided by the company. This research will identify the client's satisfaction through the analysis of importance-performance analysis.

II. LITERATURE REVIEW

Microfinance institutions and micro-entrepreneurs

One major problem of the micro-entrepreneurs in many developing countries is to access to capital. To overcome this obstacle, the community has developed various non-bank financial institutions that conduct business development services and community empowerment activities, both community and established the government. These institutions are known as Microfinance Institutions (MFIs), which are specialized financial institutions established to provide business development services and community empowerment, either through loans or financing at micro-scale enterprises to members and communities, savings management, and provision of consulting services business development that is not solely for profit. MFIs formed by the community can be in the form of cooperatives (Village Unit Cooperatives, Savings and Loans, and others) or non-cooperatives (*arisan*, Non-Governmental Organizations), government support through Rural Credit Enterprise and Rural Credit Institution[1]

Based on the type of services provided, the service providers and the lending system, Mc Guire and Conroy argue that microfinance is the provision of financial services, especially savings and loans to poor households

who do not have access to formal financial institutions [2]. While Coleman argues that microfinance provides financial services to low-income customers, usually landless farmers or urban poor who work in the informal sector as well as to small-scale enterprises with no more than five operating people at home and covering various sectors in the local economy [3]. Gulli argues that microfinance is a practice involving small lending to unsecured borrowers[4]. The term of the loan is short, usually less than two years and is usually required to be used for investments in productive capital eg for agriculture, trade, handicrafts or other industrial processes. The interest rate charged is generally higher than the commercial interest rate, but still lower than the loan shark. MFI activities typically involve things: (1) small loans, usually for working capital, (2) informal assessments of borrowers and investments, (3) such as joint responsibility or the provision of compulsory savings, (4) may obtain more massive loans based on loan performance already performed, (5) streamline loan disbursement and (6) implementation of savings products which is safe and some of them insurance services [5] [6]. The responsibility of the MFI is not limited to institutional success (Financial Self Sufficiency), but it is also responsible for providing a positive influence on its customers. There is no need to discuss the client [4]. Thus the success of the MFI is not only limited to the success of the institution itself but also the influence of the institution's program on its customers, which is a condition that can balance two specific missions: profitability and client coverage [7]. According to Otero and Rhyne, the MFI's evaluation requires measurement of the program's impact on the customer's economic condition [8].

Consumer satisfaction

Customer satisfaction definition can be based on the discrepancy theories is the expectation-disconfirmation paradigm [9]. According to this paradigm, consumers' satisfaction is about judgments are the result of consumers' perceptions of the difference between their perceptions of performance and their predictions (or expectations) of performance. Individually, positive disconfirmation leads to increased satisfaction, while negative disconfirmation will lead to dissatisfaction. Thus, it can be stated that consumer satisfaction assessment has three different forms: (a) positive disconfirmation, performance higher than expectation, (b) simple confirmation, a performance equal to expectations, and (c) negative disconfirmation, performance is lower than expected.

Understanding consumer satisfaction is essential. There are several benefits of applying customer satisfaction in an organization or company [10]: (a) corporate relationships with consumers become harmonious, (b) provides a good base for repeat purchase, (c) can encourage the creation of consumer loyalty, (d) establish a word of mouth recommendation that benefits the company, and (e) good reputation in the eyes of consumers.

III. METHOD

A survey design was applied for this research. Specifically, judgmental sampling was applied to this research. In the preparation of survey instruments, one of the

main concerns is the best way to measure the level of client satisfaction. Based on a preliminary study and a group discussion with clients and staff of the KoperasiXYZ acting as an enumerator in field testing, the following three points emerged as critical to obtaining consistent and clear results from clients: (1) clients should be given a limited number of options, (2) each choice should have a clear intention, and (3) the options provided should not include neutral responses. Based on this, the survey team compiled the following four-point scale to measure the client's satisfaction level. The analysis applied in this research w descriptive statistics. The calculation of customer conformity is done using the following formula:

$$Tki = \frac{Xi}{Yi} \times 100\%$$

Tki: Client satisfaction category

Xi: Average performance

Yi: Average importance

The categories of Tki value satisfaction are grouped as follows:

<50% Less satisfied

50.1 - 65% Enough satisfaction

65.1 - 80% Satisfied

> 80.1% Very Satisfied

To deepen the analysis will be done a gap analysis and priority analysis by using the Cartesian diagram

IV. RESULTS AND DISCUSSION

Profile of the respondents. Based on the questionnaires collected by field staffs conducted between July and October 2017, 4110 active respondents who validly filled out the questionnaire correctly. Background of respondents who become active clients has a background of the age of respondents shows that the majority of clients is in the age range <50 years of 82.7% which is the productive age category in work. Based on the origin of the majority of survey respondents are located in the area of Java, especially Jakarta, West Java, and Banten. The majority of gender backgrounds of clients are 99% female. Furthermore, based on age background it seems that the client also performs the role of housewife as well as the majority (86.9%) engaged in the trading business sector.

The majority of respondents have been clients for a year, and there is a tendency after one year the number of clients begins to diminish or resign as clients. The majority of client loan periods between 3-5 periods, however, some clients have reached 34 times. The client loan period shows a decline after borrowing five times and so on. Majority (70, 7%) loan clients <3 million Rupiah, however, there are (1.0%) who borrow> 15 million, and some even borrow 45 million rupiahs. Types of loan clients of the majority of respondents have a type of loan bank (trust bank), but there are clients of other types of loans, including only 2.9%, education 2.2%, gold client 1% and housing 1.8%.

Satisfaction result. Table 1 below shows the level of clientsatisfaction. The table shows that all indicators are perceived as very satisfied by the respondents.

Table 1. Satisfaction level of Koperasi XYZ clients

	Indicators	Performance (x)	Importance (Yi)	TKI	Category
A	Office				
1	Location	3,09	3,26	95%	Very satisfied
2	Cleanliness	3,13	3,29	95%	Very satisfied
3	Facilities	3,07	3,27	94%	Very satisfied
4	Atmosphere	3,15	3,29	96%	Very satisfied
5	Staff service	3,18	3,33	95%	Very satisfied
B	STAFF				
1	Honesty	3,23	3,37	96%	Very satisfied
2	Appearance	3,20	3,32	97%	Very satisfied
3	Hospitality	3,21	3,34	96%	Very satisfied
4	Speed of service staff	3,18	3,33	95%	Very satisfied
5	Product knowledge	3,19	3,31	96%	Very satisfied
6	Skilled staff in administration	3,18	3,33	96%	Very satisfied
7	Staff handling of client complaints	3,17	3,32	96%	Very satisfied
8	The seriousness of the staff solved the problem	3,17	3,32	96%	Very satisfied
9	Ability to explain simply	3,19	3,31	96%	Very satisfied
10	Information service	3,14	3,29	95%	Very satisfied
11	Working hours conformity	3,10	3,27	95%	Very satisfied
12	Punctuality	3,09	3,29	94%	Very satisfied
13	Fulfillment of an appointment	3,12	3,31	94%	Very satisfied
14	Professionalism	3,17	3,30	96%	Very satisfied
C	LOAN PRODUCTS				
1	Ease of loan procedure	3,15	3,29	96%	Very satisfied
2	Ease of required documents	3,17	3,29	96%	Very satisfied
3	Accuracy in the loan decision process	3,16	3,29	96%	Very satisfied
4	Speed in loan disbursement process	3,20	3,32	96%	Very satisfied
5	The amount (value) of the loan	3,11	3,28	95%	Very satisfied
6	The amount (value) of installments	3,10	3,27	95%	Very satisfied
7	Loan term	3,12	3,27	95%	Very satisfied
8	Installment schedule	3,10	3,25	95%	Very satisfied
9	Allowance in loan installments	3,02	3,22	94%	Very satisfied
10	Nominal Fines late installment	3,01	3,20	94%	Very satisfied
11	The cost of loan administration	3,05	3,22	95%	Very satisfied
12	The amount of loan interest rate	3,07	3,22	95%	Very satisfied
13	Conformity of loan type	3,09	3,23	96%	Very satisfied
D	TRAINING				
1	Weekly meeting to improve knowledge	3,04	3,18	96%	Very satisfied
2	Schedule	3,03	3,18	95%	Very satisfied
3	Topics	3,07	3,21	96%	Very satisfied
4	Contents	3,06	3,21	95%	Very satisfied
5	Speakers	3,05	3,22	95%	Very satisfied
6	Facilities	3,03	3,20	95%	Very satisfied

Gap analysis. Analysis of this satisfaction is done through GAP analysis and for future development used Cartesians diagram testing. The calculation results can be seen from Table 2 below. Although satisfaction performance shows very satisfied category but based on Table 2 above shows that there is still a gap (minus) between expectation and reality of client satisfaction. Therefore, efforts are still needed to improve the performance of services provided to clients both from the aspect of office, staff, products, and training provided.

This research is applying Cartesians diagram in order to understand the performance and the importance perception toward research indicators. The results show that there were four quadrants (i.e., A, B, C, and D) that will be described as follows:

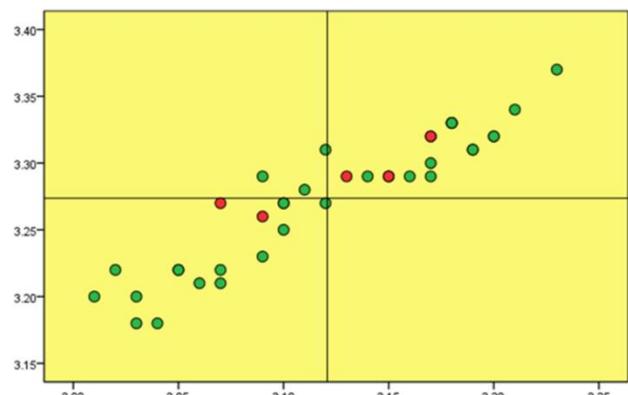

Figure 1 Cartesian Diagram Importance – Performance

Table 2. Gap analysis

	Indicators	Performance	Importance	Gap
A	OFFICE			
1	Location	3,09	3,26	-0.17
2	Cleanliness	3,13	3,29	-0.16
3	Facilities	3,07	3,27	-0.2
4	Atmosphere	3,15	3,29	-0.14
5	Staff service	3,18	3,33	-0.15
B	STAFF			0
1	Honesty	3,23	3,37	-0.14
2	Appearance	3,20	3,32	-0.12
3	Hospitality	3,21	3,34	-0.13
4	Speed of service staff	3,18	3,33	-0.15
5	Product knowledge	3,19	3,31	-0.12
6	Skilled staff in administration	3,18	3,33	-0.15
7	Staff handling of client complaints	3,17	3,32	-0.15
8	The seriousness of the staff solved the problem	3,17	3,32	-0.15
9	Ability to explain simply	3,19	3,31	-0.12
10	Information service	3,14	3,29	-0.15
11	Working hours conformity	3,10	3,27	-0.17
12	Punctuality	3,09	3,29	-0.2
13	Fulfillment of an appointment	3,12	3,31	-0.19
14	Professionalism	3,17	3,30	-0.13
C	PRODUCTS			
1	Ease of loan procedure	3,15	3,29	-0.14
2	Ease of required documents	3,17	3,29	-0.12
3	Accuracy in the loan decision process	3,16	3,29	-0.13
4	Speed in loan disbursement process	3,20	3,32	-0.12
5	The amount (value) of the loan	3,11	3,28	-0.17
6	The amount (value) of installments	3,10	3,27	-0.17
7	Loan term	3,12	3,27	-0.15
8	Installment schedule	3,10	3,25	-0.15
9	Allowance in loan installments	3,02	3,22	-0.2
10	Nominal Fines late installment	3,01	3,20	-0.19
11	The cost of loan administration	3,05	3,22	-0.17
12	The amount of loan interest rate	3,07	3,22	-0.15
13	Conformity of loan type	3,09	3,23	-0.14
D	TRAINING			
1	Weekly meeting to improve knowledge	3,04	3,18	-0.14
2	Schedule	3,03	3,18	-0.15
3	Topics	3,07	3,21	-0.14
4	Contents	3,06	3,21	-0.15
5	Speakers	3,05	3,22	-0.17
6	Facilities	3,03	3,20	-0.17

Quadrant A. In this quadrant is shown the factors that are considered necessary by the customer, but these factors have not been in line with expectations. Attributes belonging to this quadrant should receive more attention or improved so that their performance increases. Factors that need to be prioritized for improvement in this quadrant include: (1) working hours conformity, (2) timeliness, (3) fulfillment of an appointment, (4) the amount (value) of the loan, (5) the amount (value) of installments, and (6) loan terms.

Quadrant B. This quadrant shows the factors that are considered important has been following the reality felt by the customer so that the level of satisfaction is relatively high. Attributes belonging to this B quadrant must be maintained because these attributes have attracted the attention of customers to take advantage of the product. Factors that need to be maintained in this quadrant include:

(1) honesty, (2) appearance, (3) hospitality, (4) speed of service staff, (5) staff knowledge of the product, (6) skilled staff in administration, (7) staff handling of client complaints, (8) seriousness of staff solve problems, (9) ability to explain simply, (10) information services, (11) office cleanliness, (12) office facilities, (13) office atmosphere, and (14) staff service at the office.

Quadrant C. This quadrant shows the factors that are considered less relevant by the customer and in fact is not too special. The increase in attributes in this quadrant can be reconsidered because the effect on the perceived benefits of the customers is minimal, but these attributes are factors that are considered necessary by the organization to be maintained because of the organization's vision and mission. Factors to consider in this C quadrant include: (1) weekly meetings for increased insight, (2) training time, (3) financial training, (4) training materials, (5) training speakers, (6) training facilities, (7) schedule installments, (8)

allowance in loan installments, (9) nominal fines of late installment, (10) cost of loan administration, (11) amount of loan interest rate, and (12) conformity of loan type.

Quadrant D. This quadrant shows the factors that are considered less relevant by the customer but in fact is entirely satisfactory. No factor or performance indicators are included in this quadrant.

Based on Cartesian diagram mapping it can be concluded that the priority of client satisfaction performance improvement is in quadrant A, among others: (1) working hour's conformity, (2) timeliness, (3) fulfillment of an appointment, (4) the amount (value) of the loan, (5) the amount (value) of installments, and (6) loan term

Based on the Cartesian diagram, it can be stated that there is a critical factor according to the client's interest to be considered by the company. This is because dissatisfaction can be a gap for competitors of other service providers to attract clients to come out by providing more competitive services than those provided by Koperasi XYZ. Service quality is a benchmark in determining the interest that provides a positive reference or not a user of the service because through the quality of service will be able to feel satisfied or not with the services provided by the service providers. This research proves that characteristics used by consumers in evaluating or assessing a service quality that is: reliability, responsiveness, assurance, direct evidence and empathy [10].

V. CONCLUSION

Based on the data and data analysis that has been done, it can be concluded as follows. First, clients of KoperasiXYZ feel very satisfied with all research indicators. However, there is still a gap (minus) between expectations and the reality of client satisfaction. Therefore, efforts are still needed to improve the performance of services provided to clients both from the aspect of office, staff, products, and training provided. Furthermore, based on Cartesian diagram mapping, it can be concluded that priority of performance improvement that priority should be given by KoperasiXYZ is the conformity factor of working hours, punctuality,

fulfillment of appointment, loan amount, installment amount and loan term.

This is a critical factor according to the client's interests that need to be watched, as it can be a gap for competitors of other service providers to attract clients to come out by providing more competitive services than those provided by Koperasi. Data collection by field staff influences the selection and answers of respondents so that they tend to provide a high satisfaction rating so that it needs to be improved for future research.

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