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ROLE OF MARKETING MIX ON PERFORMANCE OF MICRO FINANCE INSTITUTIONS IN KENYA

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Abstract

Marketing mix play a key role in the performance of any institution. The purpose of this study was to assess the role of marketing mix on performance of MFIs. The objectives of the study were to establish the effect of promotion on the performance of microfinance institutions and to find out the extent to which pricing affects performance of microfinance institutions. The study adopted a descriptive design. The target population of this study was derived from the five selected microfinance institutions. The target population considered was the marketing managers who are based in head office in each of five institutions and the business development officers who are involved in marketing and selling of products on daily basis. A sample size of 13 marketing managers was selected purposively while 60 business development officers were selected randomly from the population. The study used questionnaire to collect the primary data. Piloting was carried out to test the validity and reliability of the instruments. Data was then coded, entered into a computer and was subjected to SPSS 19.0 for analysis. The study found out that majority of the respondents rated their institutions good or average in profitability. Sales promotion had the highest influence on performance of MFI followed by publicity; the third element of promotion mix which influenced the performance of MFIs was advertisement. Public relation did not strongly association with performance of MFIs. Other factors that had significant influence though with weaker level of association were personal selling and display of products. Pearson correlation analysis between the pricing strategies used and the MFI performance indicated that, the pricing strategies had negative relationship with the profitability, pricing strategies had a weak negative relationship with the number of clientele served, similarly a positive correlation exists between pricing strategy and market share. Poor pricing strategies result to inflated interest rates that turn away potential clients and reduce the amount of loan demanded. This study therefore recommended to MFIs to have well articulated, marketing mix incorporated in their marketing plans as a way of enhancing their performance. It also recommended that for MFIs to achieve better results in building the clientele base, amount of loan sold and improved profitability, they can leverage on the current developments in the banking industry especially adoption of mobile banking and agency banking.

INTRODUCTION

1.1 Background to the Study

In today's world, the importance of marketing accrues rapidly because of the rough market conditions. Companies need to find the best way to access the customers and make sure that they are satisfied with their own products and services. The companies' way of serving their product directly affects the companies' market performance and it leads to financial success or failure (Chen, H *et al*., 2009).

When market management is considered, the major issue that needs to be addressed is the demography of the target market and the potential of the market affordability and other related issues. Marketing management is concerned, with specific strategic decisions for individual products and the day-to-day activities needed to execute these strategies successfully. At the operating level, marketing managers must focus on the four Ps of the marketing mix: price, product, promotion, and place.

According to Kotler and Armstrong (2008), companies create value for customers and build strong customer relationship in order to capture value from customers in return through an integrated process. Marketing is used to identify the customer to keep the customer and to satisfy the customer. The term marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions It proposes that in order to satisfy its organizational objectives, an organization should anticipate the needs and wants of consumers and satisfy these more effectively than competitors.

The marketing mix helps you define the marketing elements for successfully positioning your market offer. These four P's are the parameters that the marketing manager can control, subject to the internal and external constraints of the marketing environment. The goal is to make decisions that center the four P's on the customers in the target market in order to create perceived value and generate a positive response.

Therefore, marketing mix is a good place to start when you are thinking through your plans for a product or service, and it helps you avoid these kinds of mistakes. Lack of planning, improper financing and poor management have been posited as the main causes of small enterprises (Longenecker, *et al.,* 2006). Marketing strategies and practices, commonly used for decades by most industries, are already being applied by some microfinance institutions.

However, success comes if the application of these practices is carefully executed keeping in mind the particularities of the microfinance customer and the fragmented market where microfinance institutions operate, facing strong local competitors .Efficient financial markets are essential for economic development. They allow economic growth through resource mobilization and investment, trade facilitation, risk diversification.

Even poor people can benefit from efficient financial markets: with access to savings, credit, insurance, and other financial services. This is of importance because a large majority of people living in developing countries of the world are deprived from credit and saving facilities (Robinson *et al*., 1995). A major obstacle faced by these people who want to improve their livelihood is lack of capital. Without capital people cannot invest in the productive activities, improve existing businesses, and fulfill consumption needs when needed, thus limiting their chances of escaping poverty (Gonzelez-vega *et al*., 1995).

The challenge facing Kenya today is to reduce poverty and archive sustainable economic growth. Hence, the government has embarked on a program to encourage microfinance institutions to avail affordable microcredit to micro and small enterprises to enable them expand their businesses thus reducing poverty.

Lack of planning, improper financing and poor management have been posited as the main causes of failure of small enterprises (Longenecker, *et al.,* 2006). Therefore, it could be fatal for companies to ignore the importance of marketing (Salminen *et al*., 2006).

Today cost-efficiency does not provide long-term competitive advantage for microfinance institutions whereas marketing, when well conducted, does. Especially in the field of strategic marketing, benefits are still largely waiting for realization. Strategic marketing starts by developing a clear understanding of the connection you have with your clients and customers. Well defined strategies can help the microfinance institutions be successful in many ways. Since marketing has the power to manage the process that identifies, anticipates, and satisfies the customers (Murray *et al.*, 2008).

The role of marketing mix on business performance remains elusive, despite an established research tradition (Hooley, et al., 2005). This may be due to the fact that the outcomes of marketing mix are subject to many internal and external influences, making the identifications of cause and effect linkages very hard (Bonoma *et al.,* 1988). Additionally, links to business performance are very often complex and may include some irrationality; for example, success sometimes bases considerably on luck. Difficulty to assess the marketing performance is evident since it depends on external, largely uncontrollable factors, such as customers and competitors (Neely *et al*., 2002).

It is nevertheless crucial to acknowledge the factors mainly affecting on goodness or badness of performance. If the microfinance is doing poorly, it has to unravel the reasons for the current situation so that it can form a plan for a brighter future. On the other hand, microfinance doing well must know what the most influential factors behind its success are because only accordingly it can sustain its competitive position also in the future.

1.2 Statement of the Problem.

Microfinance institutions in Kenya play a significant role in the growth of the Kenyan economy. In Kenya, the microfinance market penetration rate is estimated at around 10.4 percent and loan portfolio by end of 1999 at around KShs 2.3 billion (Aleke Dondo, 2001).The sector reaches out to nearly 1.5 million borrowers with the value of the outstanding loan book standing at Kshs.138.4bn. Microfinance Institution is an institution that has the capability to offer savings and wealth creation products to the market as well as lend to consumers who require credit at a rate of interest.

According to the Microfinance Act (2006), microfinance business means a microfinance business in which the person conducting the business holds himself out as accepting deposits on a day-to-day basis. It also refers to any other activity of the business which is financed, wholly or to a material extent by lending or extending credit for the account and at the risk of the person accepting the deposit, including the provision of short-term loans to small or micro-enterprises or low income households and is characterized by the use of collateral substitutes. The Microfinance Act of 2006 that was enacted on 2nd May 2008 paved way for the transformation of Microfinance Institutions (MFIs) to deposit taking Microfinance Institutions (DTMs) in Kenya A number of MFIs have thereafter transformed from MFIs to Deposit taking Microfinance Institutions, a phenomenon expected to increase the amount of funds available to these institutions for lending. These funds would accrue lower interests compared to the interest rates charged by banks and other lenders from whom the MFIs had been borrowing. As a result, this is expected to boost the financial performance of the DTMs due to the increased gross loan portfolio and the wider interest margins growth even with the increased number of deposit-taking and also enhance growth in terms of asset and portfolio growth and quality.

However according to AMFI(2012),in the recent past the Microfinance have recorded a negative growth even with the increased number of deposits taken. The asset growth reduced from 23.8% to -1.7%..In addition the compulsory savings are on a downward trend from 28.8% in 2009 to22.5% in 2011.

In terms of portfolio quality the MFIS have displayed unhealthy trend where there is a drop from 14.9% to 1.5%.This is evidenced by the increase in write offs of bad loans which increased from 0.7% to1.3%.

Also according to the economic survey done by the G.O.K (2011) the microfinance institutions contribution was at a declining rate.

A study by Mbugua (2010) on the impact of deposit taking on microfinance institutions revealed that there is a negative trend in financial performance and also in growth in all the three deposit taking microfinance institutions studied.

In the light of this unhealthy performance trend in microfinance institutions, therefore this research seeks to establish the role of marketing mix on performance of microfinance institutions.

1.3 Objective of the Study

The overall goal of the study was to assess the role of marketing mix on performance of MFIs.

1.4 Hypothesis.

Promotion and pricing strategy is not significantly related to performance of microfinance institutions.

Literature review

2.1 .The independent variables: pricing and promotion.

Promotion is the persuasive communication about the product offered by the manufacturer to the prospect. Promotion mix includes the following variables: Advertising and publicity of the product, Personal selling techniques used, Sales promotion measures introduced at different levels, Public relations techniques used for keeping cordial relations with dealers and consumers, Display of goods for sales promotion.

Promotional activities are necessary for large scale marketing and also for facing market competition effectively. Such activities are varied in nature and are useful for establishing reasonably good rapport with the consumers. Advertising gives information and guidance to consumers. Brand names are made popular through advertising. Along with advertising, personal selling is also useful for motivating the customers to buy a specific product.

Sales promotions are used by microfinance institutions throughout the world, whenever they make special offers such as waived fees, reduced opening balances or premium interest rates. Typically these promotions are time-bound, activity-based and segment focused. Microfinance institutions use promotion in several ways such as to distinguish its products from those offered by their competitors. They also use it to introduce a new product to its client.

The other method used by the microfinance institutions to promote their services and products is through advertising. Since advertising is recognized as a powerful means of creating strong, favorable, and unique brand associations and elicit positive judgment and feelings(Keller et al., 2003).

Advertising is designed to generate demand for microfinance institution products through non face-to-face communication channels and can also complement corporate branding communications. When designing an advertising campaign, it is important to remember that the level of identification is central to advertising.

Essentially you are seeking to get the prospect to hear the advertisement, identify with it, understand it and remember the advertiser. Often advertising agencies prepare concepts which are too sophisticated for microfinance clients hence it is essential to be simple and literal, with one single message. To minimize wastage microfinance institutions should also test the basic messages before they take them out to the market.

Market price of a product also needs periodical review and adjustments. The price charged should be high enough to give adequate profit to the company but low enough to motivate consumers to purchase product. It should also be suitable to face market competition effectively. Price is one of the frequently investigated marketing strategies in microfinance institutions. In consumer perspective, generally a positive relationship between perceived price and quality is expected probably because consumers perceive price as a clue to product quality (Teas et al., 2002).

It is, however, essential for the microfinance institutions to conduct product costing as an integral part of the pricing process. There are several factors that make pricing financial services very different from pricing traditional goods. One of these factors is that customer needs vary considerably and with that customers' willingness to pay for particular service attributes varies. The other thing is that price information is overwhelming meaning that a savings product may pay interest, but have monthly fees, fees for withdrawals, transfers, opening accounts, closing accounts and accepting cheque deposits.

These fees make it difficult for a customer to objectively compare two related financial products. While there are a large variety of bases for pricing financial products those commonly used in microfinance institution are: cost based where prices are based on the cost of the product plus a margin, competition/market based where prices are based on the prices charged by competitors and demand based where prices are based on an assessment of the value of the product to the customer

2.2 Dependent variable: Performance

As Micro-Finance Institutions Endeavour to be more client driven amidst stiff competition, focus has shifted to sustainability and profitability. All microfinance providers, whether they are Non governmental organizations (NGOs) with a focus on poverty lending or for-profit commercial institutions concerned with maximizing their return on investment, realize that the existence of a strong and permanent institution is crucial in ensuring the successful provision of microfinance serviceman indicators.

In order to be Able to evaluate an organizations performance, there is need for organization to have specific performance indicators. By analyzing performance indicators, it becomes possible to determine institutional effectiveness and efficiency. Performance indicators provide useful information about the performance of MFI. This is because effective financial management requires periodic analysis of financial performance (Ledgewood,1999). However there is no standard set of ratios or standard rage of performance of microfinance industry. But there is effort to establish a set of worldwide Microfinance standard (Saltzman, Rock and Salinger,1998).

According to the world Bank, performance indicators that are use include sustainability, outreach, profitability, Financial performance, interest on deposits and general institutional characteristics.
According to Tendler (1989), number of loans issued, amount saved, number of savings account held, loan repayment rate can be used as performance indicators since they are easily quantifiable. According to NGO microfinance standard,1998,the following can be used to evaluate performance; outreach, repayment rate, portfolio at risk, operation self sufficiency and equity on assets ratio.

Christen (2000) argues that financial performance is assessed in terms of overall profitability, through such measures as return on assets , operational self-sufficiency , revenues (portfolio yield), and operational costs . Organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share,) and (c) shareholder return (total shareholder return, economic value added, etc.)Richard et al. (200
Kotler and Armstrong (2008), argues that companies create value for customers and build strong customer relationship in order to capture value from customers in return through an integrated process. Marketing is used to identify the customer to keep the customer

and to satisfy the customer. The term marketing holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions It proposes that in order to satisfy its organizational objectives, an organization should anticipate the needs and wants of consumers and satisfy these more effectively than competitors.

Scholars have suggested various indicators of profitability which can be classified into internal and external factors. The internal determinants of performance include; increased portfolio size, improved repayment, reduced client loss and increase in profitability. Richard Rosenberg (2009), argues that results of microfinance can be measured in various ways such as; number of clients served, portfolio quality and financial sustainability (profitability).

The number of clients served- is the number of active clients includes borrowers, depositors, and other clients who are currently accessing any financial services. This indicator is more useful than the cumulative number of loans made or clients served during a period. Among other distortions, cumulative numbers make an MFI that offers short-term loans look better than one that provides longer term loans, even though the latter may be more valuable for borrowers. To reflect actual service delivery, membership-based organizations should report on active clients, not just the number of members: members may be inactive for long periods, especially in financial cooperatives single client may hold multiple accounts. All MFI information systems should be able to track numbers of active accounts, but some are not able to eliminate double-counting so as to arrive at the number of individual clients. In such cases, numbers of accounts is an acceptable indicator.

A market and demand analysis can identify potential target markets for the institution's product. The objective would be to set up structures that would satisfy the identified market targets. In this regard the institutions must determine and address how the clients perceive the product and how it is delivered. Promotional activities can raise client awareness of the product. A marketing program allows the institution to monitor and analyze customer behavior so that it can anticipate potential problems and proactively address them before clients actually leave. Due to the ever increasing number of MFIs in the market, the KWTF, like any other MFI is at risk of losing its clientele to the competitors.

Loan repayment/portfolio quality-This is a crucial indicator of performance in MFIs.

A retail lender's ability to collect loans is critical for its success: if delinquency is not kept to very low levels, it can quickly spin out of control. Furthermore, loan collection has proved to be a strong proxy for general management competence. Low repayment (high default) is associated with low portfolio quality. The standard international measure of portfolio quality in banking is portfolio at risk *(PAR)* beyond a specified number of days: The number of days used for this measurement varies. In microfinance, 30 days is a common breakpoint. If the repayment schedule is other than monthly, then one repayment period—e.g., week, fortnight, or quarter—could be used as an alternative. Consumer analysis can help an institution identify the causes for low repayment rates—i.e., inappropriate product design, external shocks, poor delivery—so that the appropriate solutions can be put in place. This is achieved by sound marketing mix.

Profitability- this refers to financial benefit that is realized on the amount of revenue gained from a business activity exceeds the expenses, costs and taxes needed to sustain the activity. Profitability ratios measure the profitability of an organization. They include gross profit margin, operating profit margin, net profit margin and return on equity ratio. Sustainability is the ability of a MFI to cover it operating cost i.e achievement of operational self sufficiency. Its measured by the ratio of operating income to the expenses and provision of loan losses (Ledgewood,1999).Sustainability of MFI is a major institution goal since it carries with it all the benefits f recovery costs. In addition, it improves it cost effectiveness and long term durability of the entity (Tanburn, 1998).

Sustainability is achieved when returns from credit advances enable the MFI to meet running costs and expansion in the short to intermediate run (Dondo, 1994).In his study on the Kenya's informal sector, sustainability is achieved in 4 levels. At level 1, the institution is able to cover all its prices cost from revenue. At level 2, all price costs as well as overhead costs are covered. At level 3, the institution is able to cover all branch costs and finally at level 4,there is full self sufficiency and revenue generated by the institution covers both financial and non financial expenses.

Performance is also influenced by macroeconomic valuables that the micro finance literature identifies as possible determinants of performance of MFIs this include valuable such as GDP growth, Inflation ,Political stability, Rural population growth, Competition, Regulatory quality and Rule of Law. Allin et al (2010), says that high Economic Growth may result in expansion of MFIs services and it may increase in the demand and profitable expansion opportunities fro MFIs clients. On the other hand, high growth may negatively influence MFIs performance, as it can raise house hold incomes to the level that they are willing and able to part in formal financial services. Inflation is also argued to influence performance since it may lower real returns to MFIs, increases defaults and lending costs

Percentage of rural population captures MFIs preference to locate themselves in densely populated urban areas in an attempt to reduce operating cost. There is also evidence that suggest MFIs perform better in economies with better institutional quality. Financial developments of a Country are also shown to contribute positively on MFIs efficiency (Hermes et al, 2009).

Competition, in most cases, is believed to increase welfare of consumers by promoting allocative and productive efficiency, i.e. lower production costs and lower prices on goods and services. It also encourages the development of new products and efficient technologies (Motta, 2004). We would, therefore, expect similar benefits of competition in microfinance market.

Increased competition may result in more information asymmetry, borrower over-indebtedness and lower expected loan repayment. In order to overcome this problem, ensure higher expected repayment and higher loan portfolio quality, lenders would engage in more screening that raise their operational costs. A marketing program allows the institution to monitor the competition and analyze its effects on clients so that the MFI can keep up with or stay ahead of the competition.Marketing mix of an organization influences performance in that if a good marketing mix is put in place there is good performance. On the other hand if there is poor marketing mix the performance is poor

3.0 Research methodology

3.1.Research design.

Research design refers to the way the study is designed,i.e the method used to carry out the research(mugenda and mugenda 2003).The research was of descriptive nature. Descriptive research (Black,1994) is used if a research is using data gathered on a group to describe or reach conclusions about the same group. The study adopted a survey design. Mugenda and Mugenda noted that survey is an attempt to collect data from members of a population to determine the current status of that population. Survey research design is a self report which requires the collection of quantifiable information from the sample.

3.2 Population

The population of this study was derived from the five selected microfinances. The target population considered were the marketing managers who are based in head office in each of five institutions and the business development officers who are involved in marketing and selling of products on daily basis.

3.3 Sample procedure and sample size

Stratified sampling was used to select the sample. However for the marketing managers a complete census will be used. For the business development officers,50% of the target population was used. This approach is appropriate as it gives every subject in the population of interest an equal chance of being selected. Mugenda and Mugenda(1999) points out that if there is no estimate available of the proportion in the target population,assumed to have characteristic of interest,50% should be used as sample size.The selected microfinance institutions, the population and the sample is indicated in the table below:

Table 3. 1 Sample size

Category of Population	Population Frequency	Sample Rate	Sample Size
Marketing managers.	13	1.0	13
Business Development Officers	120	0.5	60
	133		**73**

As indicated table a sample of 73 was taken using a stratified random sampling. A complete census was taken for marketing managers.50% has been taken for business development officers.

3.4 Data collection procedures

The study used questionnaire to collect the primary data. Semi structured questionnaire consisting of both open-ended and closed ended questions will be used.

The questionnaire were administered using the drop and pick method. Secondary data was collected from materials provided by the institutions.

3.4.1 Validity and Reliability.

Piloting was carried out to test the validity and reliability of the instruments. Validity indicates the degree to which the instrument under investigation (Mugenda and Mugenda 2003).Pilot study was conducted by the researcher taking some questionnaires to the selected institutions filled by some respondents at random. From this pilot study the researcher was able to detect questions that need editing and those that were ambiguous. Reliability is synonymous with repeatability and a measurement that yields consistent result over time is said to be reliable (Kothari,2008). The test retest method was used to ascertain the reliability.

3.5 Research Analysis

According to Marshall and Rossman (1999),data analysis is the process of bringing order, structure and interpretation to the mass of collected data. Data was checked for accuracy and completeness. Data was then coded, entered into a computer and was subjected to SPSS 19.0 for analysis. The primary data collected through the questionnaire will be analyzed using descriptive statistics such as measures of central tendency which include mean and median, frequency counts and percentages, pearson correlation and pearson chi square analysis. Tables were then used to present the data collected for ease of understanding and analysis.

4.1.Results and Discussion.

.The objective of this study was to establish the role of marketing mix(pricing and promotion) to performance of microfinance institutions in Kenya. Out of the 73 questionnaires issued to business development managers and marketing managers of five selected microfinance institutions 66 were successfully filled and returned. This implies a response rate of 90.4%.

4.6 Pricing and Performance of Microfinance Institutions

Pricing in any business is a key of the marketing mix that highly determines sales volumes. This study therefore sought to establish how pricing affected sales performance and ultimately the overall organizational performance in the microfinance industry. This was accomplished by seeking opinion from the MFIs marketing and product development staff on the pricing strategies applied, their suitability and effect of organizational performance.

Table 4. 1: Pricing methods used

	Frequency	Percent	Cumulative Percent
Cost plus	7	10.6	10.6
Target return pricing	23	34.8	45.5
Value based pricing	25	37.9	83.3
Psychological pricing	11	16.7	100.0
Total	66	100.0	

Majority of the marketing and product development staff surveyed in the MFIs 37.9% were of the opinion that their institutions adopted value based pricing while 34.8% thought that their institutions used value based pricing, minority 16.7% were of the opinion that their institutions used psychological while 10.6% cited the use of cost plus. This clearly indicates that there is no one concise pricing strategy that is applied in the MFIs studied a factor that could highly expose customers to unfavorable prices.

Further the respondents were asked to indicate whether the pricing strategies adopted by MFIs for their products and services were favorable to both customers and the organization and these findings were captured on table 4.12.

Table 4.2: Favorability of the pricing strategies adopted

	Frequency	Percent	Cumulative Percent
Very unfavorable	9	13.6	13.6
Un favorable	30	45.5	59.1
Not sure	19	28.8	87.9
Favorable	3	4.5	92.4
Very favorable	5	7.6	100.0
Total	**66**	**100.0**	

Results of the study indicated that the pricing strategies adopted by the MFIs were not favorable especially to the clients as termed by majority 45.5% as unfavorable, and 13.6% as unfavorable. Another big proportion 28.8% of the respondents were not decided on whether pricing was favorable or not. As a result, the study sought to know which of the organizational performance measures were affected by the pricing strategies used. These findings were tabulated on table 4.13.

Table 4.3: Impact of the pricing strategies on banks performance

	Very Negative 1	Negative 2	No Impact 3	Positive 4	Very positive 5
The number of clientele	0%	33.3%	21.2%	33.3%	12.1%
The number of loan provided	0%	24.2%	16.7%	18.2%	40.9%
Profitability of the organization	33.3%	25.8%	13.6%	21.2%	6.1%
Loan repayment	0%	0%	15.2%	63.6%	21.2%
Market share	0%	7.6%	28.8%	43.9%	19.7%

Owing to the fact that majority of the respondents cited that the pricing strategies adopted were not favorable, 33.3% indicated that this had a negative impact on the number of clientele that is they were hindrance to building clientele base. On the contrary, an equal number indicated that the pricing strategies positively affected the clientele build up. On the amount of loans offered however, the pricing were favorable therefore had positive impact according to 18.2%, and very positive impact according to majority 40.9%. This implies that although the pricing strategies in overall terms were not considered favorable, the pricing on loan interests were lenient and favoured the growth of loan accounts for microfinance institutions. This situation was also reflected in the loan repayment where 63.6% indicated that this had positive impact, 21.2% cited very positive impact on loan repayment. However, the these pricing strategies could have focused more on the clients at the expense of the organization in that 33.3% cited very negative impact and 25.8% negative impact on profitability of the MFI. Market share also experienced positive impact (growth) from the existing pricing strategies.

4.6.1 Correlation between Pricing Strategies and MFI Performance

To establish the MFI performance parameters that were adversely affected by the pricing strategies adopted, pearson correlation analysis was done on the rating on the pricing strategy adopted against the rating on performance parameters of MFIs, namely clientele, profitability, loans awarded, loan repayment, and market share as shown on table 4.14.

Table 4.4: Correlation between Pricing Strategies and MFI Performance

		Pricing strategy
Profitability	Pearson Correlation	-0.016
	Sig. (2-tailed)	.898
	N	63
Number of clients served	Pearson Correlation	-0.052
	Sig. (2-tailed)	.677
	N	66
Loan repayment by clients	Pearson Correlation	0.580**
	Sig. (2-tailed)	0.021
	N	64
Market Share	Pearson Correlation	0.115
	Sig. (2-tailed)	0.358
	N	66

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Pearson correlation analysis between the pricing strategies used and the MFI performance indicated that, the pricing strategies had negative relationship with the profitability (r = - 0.016, p= 0.898) although not significant at $p < 0.05$. Further the pricing strategies had a weak negative relationship with the number of clientele served by the MFI (r = - 0.056, p= 0.677) in that most of the respondents rated the pricing strategies as unfavorable therefore this could be the main reason for the negative relation among the MFIs studied. However the pricing were favorable to the customer in that positive correlation was observed between pricing strategy and loan repayment (r = 0.580, p= 0.021). Similarly a positive correlation exists between pricing strategy and market share (r = 0.115, p= 0.358) indicating that one of the key determinants of good market share was to have the right pricing strategy favorable to the customers hence high market share.

4.7 Promotion and Performance of Microfinance Institutions

Promotion mix basically aims ate communication to build and maintain relationships by informing and persuading one or more audiences. The overall role of promotion is to stimulate demand by building and enhancing customer relationships. Focusing customers on information about company s' activities and products. Various elements considered in the promotion mix include: advertising, publicity, personal selling, sales promotion, public relations, and product display especially in the banking halls. First all respondents studied 100% indicated that their institutions adopted one form of promotion strategy or the other.

Further, the study sought to determine the level to which these promotional strategies were applied in the MFI studied by asking respondents to indicate the frequency of usage of each element of the promotion mix on the scale of 1-never used 2- minimal use 3-

average use 4- frequently used 5: very frequently used as shown on Table 15.

Table 4.5: Promotional method

Promotional method	1	2	3	4	5
a) Advertising	0%	19.7%	36.4%	25.8%	18.2%
b) Publicity	36.4%	25.8%	33.3%	4.5%	0%
c) Personal selling	0%	1.5%	22.7%	31.8%	43.9%
d) Sales promotion	15.2%	25.8%	28.8%	22.7%	7.6%
e) Public relations	13.6%	43.9%	22.7%	19.7%	0%
f) Display of products	0%	3.0%	25.8%	22.7%	48.5%

All the respondents cited the use of a combination of promotion mix elements. On advertising majority of respondents 36.4% cited average usage, 25.8% cited frequent use while 18.2% frequently used advertising. Publicity on the other hand according to 36.4% of respondents was never used in their institutions, 25.8% cited minimal usage while 33.3% cited average usage, only 4.5% indicated frequent usage in their institutions. This indicates that publicity was rarely adopted by the MFI surveyed. Personal selling however was widely adopted 43.9% cited very frequent usage, 31.8% frequent usage, while 22.7% used it on average. Sales promotion are not frequently adopted by MFIs according to 15.2% who cited that sales promotion are never used in their institutions, 25.8% indicated that they were used but to a minimum extent, 28.8% cited average while 22.7% and 7.6% indicated frequent and very frequent use in their institutions. This therefore indicates that sales promotion is either unfavorable for the MFIs or they have not found proper way of applying sales promotion in their institutions. Similarly, public relations despite the many benefits its presents in marketing majority 43.9% of cited that it's rarely applied while 19.7% cited average use. Majority of the MFIs seem to have embraced the use of product display especially in the banking hall for customers to learn more on new products and the existing one as is the trend in many banking institutions. This is evident in that 48.5% of the respondents cited very frequent usage while 22.7% cited frequent usage. Those who cited average use of display were 25.8%.

4.7.1 Influences of Adoption of promotion strategies on MFI performance

Based on the variations in usage of promotion strategies across MFIs, Chi square analysis was done to establish if the use of promotion strategies influenced MFI performance. Frequency of application of various marketing mix was compared with score on MFI performance. The strength of association was established using Cramer's value.

Table 4. 6: Promotion mix strategies on performance

	Pearson Chi square value	Significance	df	Cramers Value
Advertising	50.089	0.026	18	0.503
Publicity	57.351	0.000	18	0.538
Personal selling	44.634	0.043	18	0.472
Sales promotion	58.541	0.013	24	0.638
Public relations	48.365	0.178	18	0.494
Display of products	30.967	0.029	18	0.395

The findings of the study indicated that indeed, there exists a close relationship between the frequency of application of various promotion mix strategies and performance of MFI. Sales promotion had the highest influence on performance of MFI (Chi-square(24) = 58.541, P = 0.013), and cramer's value of 0.638

indicating very strong and significant association. Publicity follows with significant association (Chi-square(18) = 57.541, *P* = 0.000), and Cramer's value of 0.538. The third element of promotion mix which influenced the performance of MFIs was advertisement (Chi-square(18) = 50.089, *P* = 0.026), and cramer's value of 0.503. Although public relation was found to have a high association with performance of MFIs, the association was not significant (Chi-square(18) = 48.365 *P* = 0.178), and cramer's value of 0.494. Other factors that had significant influence though with weaker level of association were personal selling and display of products (Chi-square(18) = 44.634, *P* = 0.043), and cramer's value of 0.472) and (Chi-square(18) = 30.967, *P* = 0.029), and cramer's value of 0.395 respectively. These findings indicate that indeed promotion plays a key role in performance of MFIs and the choice of the right combination of promotion mix could greatly enhance performance.

5.1 Summary of Findings.

This section presents results from the findings of the study discussion and further comparison with other scholars who have conducted studies in the same area. The discussion follows in accordance with the study objectives and finally the conclusions and recommendations. On the general information of the study, majority of the marketing and business development managers sampled were male 57.6%, female formed minority 42,4%. 39.4% of those who held positions of marketing managers and product development managers were in the age bracket 31 – 40 years, those between 19-30 years formed 31.8% while 41-50 years were 15.2%. Minority 13.6% were in the age brackets above 50 years.

On the distribution based on the positions held, 13 marketing managers targeted 11 responded, forming 16.7% of the respondents, while 55 out of 60 business development officers responded forming 83.3% of the respondents. Those staff who held college diplomas, and bachelors degree formed 68.7% of the respondents, masters degree holders formed 10.6% of the respondents. 63.6% of the respondents had worked in their current institutions for duration between 1 - 5 years, 15.2% had worked for 6-10 years, while 19.7% worked for 11-15 years, which implied that the respondents were in a position to adequate information on their organizations.

MFI studied were evaluated in performance on profitability, number of clientele, loan issued and loan repayment. Majority of the respondents rated their institutions good or average 28.8%, in profitability while 34.8% rated them poor. Performance in terms of the number of clients was rated average by 36.4% were while loan repayment received mixed reactions with majority 30.3% rating their institutions performance on average 19.7% good, 10.6% very good, while 22.7% poor and 16.7% very poor. On the loan portfolio quality, majority of the institutions 40.9% were rated good, 12.1% average, 13.6% average, 10.6% poor while 22.7% rated very poor.

5.2.2 Promotion on the performance of microfinance institutions

The overall role of promotion is to stimulate demand. In this study it was established that a combination of promotion mix elements was adopted by MFIs. The level of application varied from one institution to the other and also rating by the respondents varied in the same institution. On advertising majority of respondents 36.4% cited average usage, 25.8% cited frequent use while 18.2% frequent use. Publicity on the other hand according to 36.4% of respondents was never used in their institutions, 25.8% cited minimal usage while 33.3% cited average usage. Personal selling however widely adopted 43.9% was cited very frequent usage, 31.8% frequent usage. Sales promotion are not frequently adopted by MFIs 15.2% cited never used in their institutions, 25.8% indicated that they were used but to a minimum extent, 28.8% cited average while 22.7% and 7.6% indicated frequent and very frequent. Similarly, public relations despite the many benefits its presents in marketing majority 43.9% of cited that it's rarely applied while 19.7% cited average use. Majority of the MFIs seem to have embraced the use of product display especially in the banking hall for customers to learn more on new products and the existing one as is the trend in many banking institutions. This is evident in that 48.5% of the respondents cited very frequent usage while 22.7% cited frequent usage. Those who cited average use of display were 25.8%.

Chi square analysis to identify how adoption of each promotion mix affected the perfomanc eof microfinance institutions revealed that sales promotion had the highest influence on performance of MFI (Chi-square(24) = 58.541, *P* = 0.013), and cramer's value of 0.638 while publicity followed with significant association (Chi-square(18) = 57.541, *P* = 0.000), and Cramer's value of 0.538. The third element of promotion mix which influenced the performance of MFIs was advertisement (Chi-square (18) = 50.089, *P* = 0.026), and cramer's value of 0.503. Public relation has a strong association with performance of MFIs, though not significant (Chi-square(18) = 48.365 *P* = 0.178), and cramer's value of 0.494. Other factors that had significant influence though with weaker level of association were personal selling and display of products (Chi-square(18) = 44.634, *P* = 0.043), and cramer's value of 0.472) and (Chi-square(18) = 30.967, *P* = 0.029), and cramer's value of 0.395 respectively.

5.2.3 Pricing affects on performance of microfinance institutions

Pricing in any business is a key aspect of the marketing mix that highly determines sales volumes. In the current study, majority of the marketing and product development staff surveyed in the MFIs 37.9% were of the opinion that their institutions adopted value based pricing while 34.8% thought that their institutions used value based pricing, minority 16.7% were of the opinion that their institutions used psychological while 10.6% cited the use of cost plus. This clearly indicates that there is no one concise pricing strategy that is applied in the MFIs

The pricing strategies adopted by the MFIs were found to have adverse effects on various performance parameters. The pricing strategies were not favorable to the clients as termed by majority 45.5% as unfavorable, and 13.6% as unfavorable. Another big proportion 28.8% of the respondents were not decided on whether pricing was favorable or not. 33.3% indicated that this had a negative impact on the number of clientele that is they were hindrance to building clientele base. The pricing strategies however were favorable to loan repayment where 63.6% indicated that this had positive impact, 21.2% cited very positive impact on loan repayment. Market share also experienced positive impact (growth) from the existing pricing strategies.

Pearson correlation analysis between the pricing strategies used and the MFI performance indicated that, the pricing strategies had negative relationship with the profitability (r = - 0.016, p= 0.898) although not significant. Further the pricing strategies had a weak negative relationship with the number of clientele served by the MFI (r = - 0.056, p= 0.677). However the pricing were favorable to the customer in that positive correlation was observed between pricing strategy and loan repayment (r = 0.580, p= 0.021). Similarly a positive correlation exists between pricing strategy and market share (r = 0.115, p= 0.358) indicating that one of the key determinants of good market share was to have the right pricing strategy favorable to the customers hence high market share.

5.3 Conclusions

Poor pricing strategies result to inflated interest rates that turn away potential clients and reduce the amount of loan demanded. An organization can have the right product, that meets customer's needs, but fail in the costing of the product. MFIs should therefore have concise methods of assessing and determining the pricing of their products in line with customers needs at all times.

Promotional activities are necessary marketing in MFIs in the current market characterized by increased competition. Promotion plays a key role in changing the views, awareness, beliefs and feelings of perspective customers and clients about the MFIs products and services. For MFIs to be successful in the implementation of promotion strategies it is important that organizations conduct though assessments to establish the elements of promotion mix that give better results for the products and the markets served. For this particular industry use of sales promotion, publicity, advertisements, public relation, personal selling and display of products on the banking halls and any other strategic places are important for success of MFIs in Kenya.

5.4 Recommendations

This study therefore recommends to MFIs to have well articulated, marketing mix incorporated in their marketing plans as a way of enhancing their performance. The various elements of the marketing mix should be designed with expected outcomes intermesh of organizational performance with tangible deliverables to enable continuous monitoring and evaluation at all times.

Secondly it is recommended that for MFIs to achieve better results in building the clientele base, amount of loan sold, and improved profitability, they can leverage on the current developments in the banking industry especially adoption of mobile banking and agency banking. These developments in the key an markets at the moments have been widely applied by commercial banks but if adapted by MFIs better performance could be realized amidst increased competition.

5.5 Suggestions for further Study

The findings of the study were limited to the area of study and thus there is need for further studies research on the same field of study using the same methodology in other parts of the country in order to enable proper generalization. Further studies should also be done to establish the impact of competition between commercial banks SACCOs and MFIs on performance of microfinance institutions.

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