Client Satisfaction in Faith-based Microfinance: A Comparison with Mainstream Models of Microfinance

Najmul Hoda[1] and Shankar Lal Gupta[2]

The main purpose of this paper is to compare the client satisfaction of faith-based and mainstream microfinance institutions. The level of satisfaction is considered on eight independent factors identified through literature survey and experts' opinion. The data-set comprised of a total of 300 microfinance clients - 150 from faith-based microfinance institutions and 150 from the mainstream microfinance institutions. The data was collected through a structured questionnaire comprising of agreement disagreement on 5-point Likert scale. Independent sample t-test was employed to determine if any significant difference exists in the satisfaction level of clients in the two models of microfinance. The results indicate that there is no significant difference among the two groups on the variables reasonability of interest rates (p=0.49), loan procedure (p=0.13), technical assistance (p = 0.822), and branch location (p = 0.36). However, there are significant differences in the two groups on the variables clients repayment policy (p=0.0001), timely availability of loan (p=0.0001), non-discrimination (p = 0.0001) and supportive staff (p = 0.005). The mean values suggest that the clients of faith-based microfinance institutions are more satisfied on these variables. The recent reports on microfinance suggest that the mainstream microfinance programs and policies that were developed for delivering the benefits of financial inclusion and poverty alleviation neglected the client perspective. The results of this study should be of significance to policy makers who are considering various alternatives to attain the goals of poverty alleviation stipulated in the Millennium Development Goals. The paper contributes to the limited empirical studies available on client satisfaction as well as the faith-based model of microfinance.

1. Introduction

The role of microfinance in poverty alleviation, though adequately backed by empirical findings, has been countered by some researchers

[1] Lecturer, College of Business, Umm Al-Qura University, Makkah, Saudi Arabia. najmulhoda19@hotmail.com
[2] Dean, Waljat College of Applied Sciences, Rusayl, Oman. drslgupta@gmail.com

like Murdoch (2000). It has been argued that the effect of microfinance does not reach the poorest individuals. Secondly, a typical microfinance model assumes that the poor is entrepreneurial which may not actually be entirely true. The commercialization of the sector and the acceptance of microfinance as a business model have posed new challenges to the microfinance sector as well as poverty alleviation efforts. The sector has reported incidence of over-lending, multiple borrowings and diversion of loans for unproductive purposes (Buckley, 1996; Rahman, 1999). The size of the the market defined as "unserved" or "excluded" is over 2 billion (Rhyne, 2010) and less than 5% has been served so far (MIX Report, 2010). The cultural factors have also accounted for the exclusion of poor from using mainstream microfinance schemes (Obaidullah, 2007; Kozel and Parker, 1998). Since majority of microfinance models work on the same or an altered method of group lending, they all suffer from the same systemic problems. There is a need for innovation in product differentiation, operational procedures and targeting. Faith-based microfinance institutions operate on altogether different principles and may be able to reach the financially excluded population more efficiently. This study tries to explore the efficacy of the faith-based microfinance institutions in terms of client satisfaction.

2. Faith-based Organizations

Faith-based Organizations (FBOs) are organizations engaged in development or humanitarian activities that explicitly claim a religious motive (Kirmani and Zaidi 2010). Clarke and Jennings (2008) offered a comprehensive definition of Faith-based organizations:

> "a faith-based organization is any organization that derives inspiration and guidance for its activities from the teachings and principles of the faith or from a particular interpretation or school of thought within that faith" (p6).

A faith-based microfinance and poverty alleviation initiative is generally started by, "a religious institution, or by an individual for strong religious motives; works with and through local 'branches' of the religion – churches, mosques, temples and raises substantial proportion of its funds from people of the same faith" (Harper et al. 2008). Faith-based Organizations (FBOs) are not similar, homogenous lot. Smith and Sosin (2001) also analyzed several institutions to study how faith is

present in an organization and suggested that the presence of faith can be found in the form of "resource dependency, authority and organizational culture". The availability of funds, control of religious institutions or personalities, the influence of faith in the organizational design are some of the important factors that they found to be shaping the uniqueness of faith-based organizations (Sider and Unruh, 2004; Clarke, 2008; Hefferan, et al. 2009).

3. Literature Review

The empirical studies on faith-based organizations are few. Vidal (2001) mentions that the main reason for the scarcity of empirical analyses of these organizations is the absence of any listing of such organizations at international, country or even state/county level. There are several studies (Sider and Unruh, ibid; Jeavons, 1997) that point out the distinctive features of faith-based organizations. The role of these organizations in poverty alleviation has been investigated by few researchers (Martin, et al, 2007; van Engelenhoven 2006). Ashraf and Hasan (2013) presented an integrated model of poverty alleviation derived from Islamic faith. Ashraf, et al (2014) analyzed the faith dimension of microfinance institutions in terms of the country where the institution is based. A summary of the faith-based microfinance institutions present in literature is presented in Table 1.

Some studies have compared the performance of faith-based and mainstream microfinance institutions (Reinikka & Svensson, 2008; Mersland, et al. 2013). Their findings indicate that the faith-based microfinance institutions are more effective than mainstream institutions. In-depth analysis of faith-based microfinance institutions were also found in the literature (Ndemo, 2006; Jodka, 2009; Fikkert, 2000). Hoda and Gupta (2014) analyzed the loan portfolio of a faith-based microfinance institution in India.

4. Determinants of Client satisfaction in Microfinance

Client satisfaction is an important determinant of the performance of a microfinance programme. It has been attributed great significance for the future of an institution and it is seen as a basis for securing market position and achieving other objectives of the institution (Koraus, 2002). Client satisfaction is an evaluative process. It has been defined as "… a

judgment that a product of service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption related fulfillment, including levels of under or over fulfillment" (Swaid and Wigand, 2007).There have been several studies on the customer satisfaction in the banking sector that used scales like SERVQUAL (Bloemer et al. 1999) or BANKSERV (Pont and McQuilken, 2002) to measure the service quality as well as customer satisfaction. Hassan, et al (2012) assessed the technical and scale efficiencies of microfinance institutions in Middle East and North Africa region. This study used date envelopment analysis approach to measure the performance of microfinance institutions. The SEEP Tool (2000) provides a qualitative assessment of client satisfaction. A proper measure of satisfaction would include a separate assessment of both client expectations and the quality of provided service. Cronin and Taylor (1992) suggested an alternative measurement of customer satisfaction by focusing on actual perceived satisfaction.

Hypotheses development

Interest rates

Interest rate has been found to be an important factor of client satisfaction in many studies (IFAD, 2007; Murray and Lynch, 2003; Kanyurhi, 2013; Rahman, 1999; Coleman, 2006; Urquizo, 2006). For comparing the two groups of microfinance institutions, we formulate the following hypotheses:

> H1o: Mainstream & Faith-based microfinance institutions are not significantly different on the variable reasonability of interest rate

> H1a: Mainstream & Faith-based microfinance institutions are significantly different on the variable reasonability of interest rate

Loan procedure

Loan procedure includes the various stages, compliances and time required for the disbursement of loan to the poor client. Seybold (2001) reported that the customers ranked 'turnaround time', 'easy requirements to comply with' as the most important factors of microfinance service. Kanyurhi (ibid), Rahman (ibid) also presented similar findings and the importance clients place on this factor. A

microfinance institution needs to have a sound and effective loan disbursal mechanism for achieving the overall satisfaction level of the clients. We hypothesize the following.

H2o: Mainstream & Faith-based microfinance institutions are not significantly different on the variable loan procedure

H2a: Mainstream & Faith-based microfinance institutions are significantly different on the variable loan procedure

Loan repayment policy

The term of repayment is a crucial factor in the microfinance loan product. Due to the varying nature of the clients' occupation and income streams, the borrowers cannot repay in a single format. A borrower engaged in agriculture has a different earning pattern compared to a small trader. Hoda and Gupta (ibid) have provided the analysis of loan portfolio of a faith-based microfinance institution that suggests that there is a relationship between occupation and loan repayment. The importance of this factor has been confirmed in other studies (Kanyurhi, ibid; Rahman, ibid; IFAD, ibid; Coleman, ibid; and Urquizo, ibid). The following hypotheses are formulated for this factor.

H3o: Mainstream & Faith-based microfinance institutions are not significantly different on the variable repayment policy

H3a: Mainstream & Faith-based microfinance institutions are significantly different on the variable repayment policy

Timely availability of loan

Timely availability of loan is a critical factor for microfinance clients. This is more relevant in the repeat cycles. The loan requirements at various stages of the business cycle are partially responsible for the success of the business. Urquizo (ibid) also finds that the clients rank this factor as critical and important. We hypothesize the following regarding this factor.

H4o: Mainstream & Faith-based microfinance institutions are not significantly different on the variable timely availability of loan

H4a: Mainstream & Faith-based microfinance institutions are significantly different on the variable timely availability of loan

Discrimination in selection

Othman and Owen (2001) found that the cultural issues are important for microfinance institutions. A client may feel dissatisfied or opt out of the program if there is a neglect of the cultural factors. Obaidullah (ibid) reports the avoidance of the poor population towards the microfinance programs due to their feeling of discrimination. Rahman (ibid) has also found the discrimination in selection as a source of dissatisfaction. The discrimination may be based on gender, religion, caste, or any other factor. Such a policy adversely affects the satisfaction of the existing clients too. We therefore hypothesize the following.

H5o: Mainstream & Faith-based microfinance institutions are not significantly different on the variable discrimination among borrowers

H5a: Mainstream & Faith-based microfinance institutions are significantly different on the variable discrimination among borrowers

Technical assistance for business

Capacity building in the form of technical assistance is an important need of microfinance clients (Abdul Rahman and Dean, 2013, Rahman, ibid). This factor leads to the improvement in business and increasing the confidence of the borrowers. We hypothesize that.

H6o: Mainstream & Faith-based microfinance institutions are not significantly different on the variable technical assistance for business improvement

H6a: Mainstream & Faith-based microfinance institutions are significantly different on the variable technical assistance for business improvement

Location of the branch or point of transaction

The location of the branch and the distance a client has to travel to avail the services of a microfinance institution are important criteria for the microfinance clients. Patrick (2005) concentrated mainly on the access of the clients to the microfinance institutions for determining the overall success of the program. Alhemoud (2007) also found that clients rank this factor as important for a microfinance institution. We hypothesize that

H7o: Mainstream & Faith-based microfinance institutions are not significantly different on the variable location of the branch or place of transaction.

H7a: Mainstream & Faith-based microfinance institutions are significantly different on the variable location of the branch or place of transaction

Staff support

Othman and Owen (*ibid*) find that "responsiveness, dynamism and willingness for helping customers" are the most important factors of customer satisfaction. It could be gauged that those clients who have maintained a relationship with the microfinance institution for some time desire to have a differentiated service level and a better service is a general demand by all clients. This factor has been found significant in many other studies (Murray, 2001; Kanyurhi, ibid; Rahman, ibid; Owusu-Boateng, 2011; and Churchill and Halpern, 2001). On this factor we hypothesize that.

H8o: Mainstream & Faith-based microfinance institutions are not significantly different on the variable staff support

H8a: Mainstream & Faith-based microfinance institutions are significantly different on the variable staff support

5. Research Methodology

The design of this study is descriptive. The target population comprises of the beneficiaries of microfinance institution. The population is mainly divided into two groups – mainstream and faith-based. Purposive

sampling technique was used to collect the sample of beneficiaries from the two groups (see Appendix I). The loan officers and daily collection agents in the places of study provided the list of borrowers of the mainstream microfinance institutions. It is a general practice to employ these independent agents, mainly for loan recovery as well as savings collection on daily or weekly basis for a commission. A sample of 150 borrowers was selected from the list available with these daily collection agents. Three faith-based microfinance institutions from India were selected from a list of faith-based microfinance institutions (Table 2). Gramin Vikas Samiti is based in Jodhpur, Rajasthan and operates on Gandhian principle of village development. Al Khair Cooperative Society is situated in Patna and has been providing interest-free financial services based on Islamic principles. The Patna Parish Cooperative Society is owned by the Catholic Society and is based in Patna. 50 clients were selected from each of the selected faith-based institution. The data collection was done using a pre-tested schedule available in Hindi language too. The data analysis was done by the use of descriptive statistics such as frequency distributions, means, percentages and cross tabulations. Independent samples *t*-tests were employed to check for differences between mainstream and faith-based microfinance taking into account the different factors that constitute impact on client satisfaction. The assumption for applying a t-test is that the data for the 2 independent groups should be normally distributed irrespective of the scale. Levene's Test was employed to test the homogeneity of variances. The significance level of 0.05 was considered for the treatment of hypotheses. SPSS 19.0 was used for the data analysis.

Table 1: List of Faith-based Microfinance Institutions

S No	Name of the institution	Reported in	Faith	Location
1.	SNDP	Minimol and Makesh (2012)	Hinduism	India/Kerala
2.	Akhuwat	Harper , *et al.* (*ibid*)	Islam	Pakistan/Lahore
3.	Al Farz Foundation	Khaled (2011)	Islam	Pakistan/Lahore
4.	Al Khair Cooperative Credit Society	Khan (2009)	Islam	India/Patna
5.	American Friends Service Committee (AFSC)	Diklitch and Rice (2004)	Christianity	USA
6.	CAPARV	Harper , *et al.* (*ibid*)	Islam	India/Imphal
7.	Catholic Relief Services	Harper , *et al.* (*ibid*), Diklitch and Rice (ibid)	Christianity	Various Countries
8.	Chinmaya Mission Sidhabari	Paul (2012)	Hinduism	India/Sidhabari
9.	Christian Aid	Kessler and Arkush (2009), Harper *et al.* (2008)	Christianity	UK/Oxford
10.	COVA	Harper, *et al.* (*ibid*), Kaur (2007)	Islam	India/Hyderabad
11.	ESAF	Harper , *et al.* (*ibid*)	Christianity	India/Chennai
12.	Islamic Relief Worldwide	De Cordier (2009), Kirmani and Khan (2008)	Islam	UK/London
13.	LEAP	Harper , *et al.* (*ibid*)	Christianity	Liberia/Monrovia
14.	Lutheran World Relief (LWF),	Diklitch and Rice (2004)	Christianity	USA
15.	Mennonite Central Committee (MCC)	Diklitch and Rice (2004)	Christianity	North America
16.	Muslim Aid	Clarke (2008)	Islam	UK/London
17.	Muslim Fund Deoband	Khan and Nisar (2004)	Islam	India/Deoband
18.	Oxfam	Bradley (2009)	Christianity	UK/Oxford
19.	SKDRDP	Harper , *et al.* (2008), Ashta (2010), Shetty and Vishwakumara (2009)	Jainism	India/Mangalore
20.	Tearfund	Wrigley (2011)	Christianity	UK/Teddington
21.	The Holy Cross Social Service Centre	Harper , *et al.* (2008)	Islam	India/Hazaribagh
22.	United Methodist Committee on Relief	Clarke (2008)	Christianity	USA/New York
23.	Village Development Project	Bradley (2009)	Hinduism	India/Jodhpur
24.	World Jewish Relief	Kessler and Arkush (2009)	Jewism	UK/London
25.	World Vision	Diklitch and Rice (2004)	Christianity	USA

Adapted from Hoda and Gupta (2014)

6. Results

A summary of the data-set is provided in Table 2. In case of faith-based microfinance institutions, the number of valid response received was 149 as one response was found to be invalid. The comparison was not affected as the normalized data was used for all the calculations. The age-group of beneficiaries of mainstream and faith-based microfinance institution highlights a similar pattern. Majority of respondents, 63% in case of mainstream MFIs and 56% in case of faith-based microfinance belong to the age group 30-45 years. In terms of gender, 97% of the respondents from mainstream microfinance are female whereas in faith-based the female respondents form 65% of the total respondents. The respondents belong to two main religions, Hinduism and Islam with 56% and 44% in the mainstream group. In the faith-based group, the respondents belong to Hindu (44%), Islam (38%) and Christianity (18%).A majority of the respondents in both mainstream and faith-based microfinance are uneducated and have never been to school. Head of household is the person who takes vital decisions, like expenditure, for the family. 81% and 86% of the households respectively in the two groups of respondents are headed by a male member (generally husband). Most of the respondents in both the groups (61% and 40% respectively) reported their monthly earnings in the range of Rs. 3001-6000. All the respondents were self-employed in case of mainstream microfinance and a similar proportion is seen in case of faith-based microfinance. Majority of the clients (63% and 42% respectively) of both the microfinance programmes are associated for less than 3 years. Those associated for a period of 3-5 years form 38% and 33% respectively in both the groups. None of the respondents are as old as 5 years in case of mainstream microfinance. In case of faith-based microfinance, 25% of the respondents are associated with their institution for more than 5 years.

Table 2: Summary of the Data-set

Item	Mainstream (N = 150)	Faith-based (N = 149)		Item	Mainstream (N = 150)	Faith-based (N = 149)
Gender				**Head of household**		
Male	4 (3%)	52 (35%)		Male	122 (81%)	128 (86%)
				Female	28 (19%)	21 (14%)
Female	146 (97%)	97 (65%)		**Religion**		
Age						
15-30	39(26%)	30 (20%)		Hindu	84 (56%)	66 (44%)
30-45	95(63%)	83 (56%)		Muslim	66 (44%)	56 (38%)
				Christian	0	27 (18%)
45-60	16(11%)	36 (24%)		**Monthly Income**		
Education				Below 3,000	16(11%)	43(29%)
Uneducated	71(47%)	73 (49%)		3,001-6,000	91(61%)	60(40%)
Primary Education	47 (32%)	37 (25%)				
Matriculate	10 (7%)	19 (13%)		6,001-9,000	43(28%)	46(31%)
Intermediate and above	22 (14%)	20 (13%)		**Occupation**		
Years of Association with MFI				Service	0 (0)	21(14%)
1-3 years	93 (62%)	63 (42%)		Self-employed	150 (100%)	119 (80%)
3-5 years	57 (38%)	49 (33%)		Daily wages	0 (0)	9 (6%)
5 years and Above	0 (0)	37 (25%)		**Incidence of Borrowing**		
				Borrowed	146 (97%)	142 (95%)
				Did not borrow	4 (3%)	7 (5%)

Source: Field Survey

The two groups of microfinance institutions were compared on the eight variables of client satisfaction. The results are summarized in Table 3.

Table 3: Summary of Mean, Standard Deviation, Standard Error Mean and t-test

ariable	Mean		Standard Deviation		Standard Error Mean		t-Test for equality of means (Acceptable α = 0.05)	
	Mainstream	Faith-based	Mainstream	Faith-based	Mainstream	Faith-based	t (297)	p
1. Reasonability of interest rate on loan	4.220	4.3087	1.12250	1.12044	.09165	.09179	6.84	0.49
2. Loan procedure	4.5400	4.6846	.91688	.70794	.07486	.05800	1.53	0.13
3. Loan repayment policy	4.0133	4.7383	1.47000	.56228	.12002	.04606	5.62	0.0001
4. Availability of loan	3.4933	4.5369	1.71353	.87397	.13991	.07160	6.63	0.0001
5. Discrimination in selection	1.2067	2.2752	.57108	1.80037	.04663	.14749	6.93	0.0001
6. Technical Assistance to clients for business	2.2533	2.2953	1.55519	1.66646	.12698	.13652	2.25	0.822
7. Location of the branch or point of transaction	4.1733	4.0134	1.18575	1.78578	.09682	.14630	0.91	0.36
8. Staff support	4.2733	4.6107	1.14045	.92057	.09312	.07542	2.81	0.005

6.1 Reasonability of interest rates

It was found that 64% of the clients of faith-based microfinance strongly agree that the rates are reasonable and 16% just agree. In case of faith-based microfinance 56% strongly agree and 23% just agree that the rates are reasonable. 5% and 4% of the clients of mainstream and faith-based microfinance strongly disagree that rates are reasonable. An equal variances t test revealed a statistically reliable difference between the mean number of Mainstream microfinance (M = 4.22, s = 1.12) and faith-based microfinance (M = 4.31, s = 1.12), t (297) = 6.84, p = 0.49, α = 0.05. Since p > α, we accept the null hypothesis that there is no significant difference between Mainstream & Faith-based microfinance institutions on the variable reasonability of interest rate.

6.2 Loan procedure

Loan procedure includes the application process, disbursal and the time involved in the process. 79% of the clients of faith-based microfinance and 69% clients of mainstream microfinance strongly agree that the procedure of obtaining loan is simple. Those who just agree in both the groups are 25% and 13% respectively. It may be inferred that the clients of both the groups are satisfied with the loan procedure. An equal variances t test revealed a statistically reliable difference between the mean number of Mainstream microfinance (M = 4.54, s = 0.92) and faith-based microfinance (M = 4.68, s = 0.71), t (297) = 1.53, p = 0.13, α = 0.05. Since p > α, we accept the null hypothesis that there is no significant difference between Mainstream & Faith-based microfinance institutions on the variable loan procedure.

6.3 Loan repayment policy

The microfinance institutions that follow the group methodology generally follow a rigid weekly repayment method. 79% of the borrowers strongly agree that the loan repayment policy is suitable while 59% of the borrowers of mainstream microfinance have similar reaction. 18% borrowers in both the groups just agree regarding the repayment policy. An equal variances t test revealed a statistically reliable difference between the mean number of Mainstream microfinance (M = 4.01, s = 1.47) and faith-based microfinance (M = 4.74, s = 057), t (297) = 5.62, p = 0.0001, α = 0.05. Since p < α, we reject the null hypothesis.

The alternative hypothesis that there is significant difference between Mainstream & Faith-based microfinance institutions on the variable repayment policy is accepted. The mean value suggests that the beneficiaries of faith-based microfinance are more satisfied with the repayment policy.

6.4 Timely availability of loan

The availability of loan amount is not the only criterion for meeting the needs of poor clients. It is important that the client receives the amount when there is need and also in adequate amount. 90% of the respondents in faith-based microfinance agree that loan is timely available whereas 61% agree in case of mainstream microfinance. The percentage of respondents disagreeing with the statement is quite large in case of mainstream microfinance. In total, 37% of the respondents disagree about the timely availability of loan. An equal variances t test revealed a statistically reliable difference between the mean number of secular microfinance (M = 3.49, s = 1.71) and faith-based microfinance (M = 4.54, s = 0.88), t (297) = 6.63, p = 0.0001, α = 0.05. Since p < α, we reject the null hypothesis and accept the alternative hypothesis that there is significant difference between Mainstream & Faith-based microfinance institutions on the variable timely availability of loan. The mean value (M = 4.54) suggest that beneficiaries of faith-based microfinance are more satisfied on this feature.

6.5 Discrimination in loan disbursement

The findings of this study suggest that the clients of faith-based microfinance feel there is discrimination. Almost all the respondents (97%) of mainstream microfinance disagree regarding the discrimination in loan disbursement. The rest 3% have no opinion. In case of faith-based microfinance the percentage of respondents agreeing to the statement regarding discrimination in loan disbursement is 28% whereas 5% do not have any opinion. An equal variances t test revealed a statistically reliable difference between the mean number of Mainstream microfinance (M = 1.21, s = 0.57) and faith-based microfinance (M = 2.28, s = 1.8), t (297) = 6.93, p = 0.0001, α = 0.05. Since p < α, we reject the null hypothesis and accept the alternative hypothesis that there is significant difference between Mainstream & Faith-based microfinance institutions on the variable discrimination in loan disbursement. The

beneficiaries of faith-based microfinance (M = 2.28) agree that there is discrimination among the borrowers.

6.6 Technical support for business

63% of the respondents of mainstream microfinance and 39% of the respondents of the faith-based microfinance disagree to the statement on receiving technical support in their business/income generating activity/idea for business. Those who agree that they have received technical assistance form 29% and 28% respectively in mainstream and faith-based group. An equal variances t test revealed a statistically reliable difference between the mean number of Mainstream microfinance (M = 2.25, s = 1.56) and faith-based microfinance (M = 2.30, s = 1.67), t (297) = 2.25, p = 0.822, α = 0.05. Since p > α, we accept the null hypothesis that there is no significant difference between Mainstream & Faith-based microfinance institutions for the variable technical support for business/income generating activity.

6.7 Location of branch/point of transaction

 77% of the respondents of faith-based microfinance strongly agree while 16% just agree to the convenient location of the branch or place of transaction (like meeting point). In case of mainstream microfinance the percentage agreement is 53% and 30% respectively. 15% of the respondents of mainstream group disagree regarding this feature. An equal variances t test revealed a statistically reliable difference between the mean number of Mainstream microfinance (M = 4.17, s = 1.19) and faith-based microfinance (M = 4.01, s = 1.79), t (297) = 0.91, p = 0.36, α = 0.05. Since p > α, we accept the null hypothesis that there is no significant difference between Mainstream & Faith-based microfinance institutions on the variable location of branch/point of transaction.

6.8 Supportive staff

The respondents were asked regarding their agreement with the statement that the staff of their microfinance institution is supportive. To this, 79% of the respondents in faith-based group strongly agreed and 12% just agreed. The response of mainstream microfinance group was 61% and 20% respectively. 9% of the respondents of mainstream microfinance did not respond while 10% disagreed. An equal variances t

test revealed a statistically reliable difference between the mean number of Mainstream microfinance (M = 4.27, s = 1.14) and faith-based microfinance (M = 4.61, s = 0.92), t (297) = 2.81 , p = 0.005, α = 0.05. Since p <α , we reject the null hypothesis and accept the alternate hypothesis that there is significant difference between Mainstream & Faith-based microfinance institutions on the variable staff support. The mean value (M = 4.61) suggests that the clients of faith-based microfinance are more satisfied regarding the support from staff compared to the Mainstream microfinance.

7. Discussion

The paper compared the faith-based and mainstream microfinance institutions on the selected variables of client satisfaction. The literature on services marketing and financial services prove that the customer satisfaction leads to better performance (Morgan and Rego, 2006). The extant mainstream models of microfinance have been criticized for their one-size-fit-all approach. It has been suggested that microfinance institutions focus on clients, listen to their demands, and learn about their financial strategies (Goglio and Alexopoulos, 2013). Faith-based microfinance institutions may be better connected to the poor population and understand their needs in a better way. These institutions are seen to be more humanitarian and empathetic towards the poor. Therefore, the client satisfaction for these institutions is expected to be more satisfied. The findings of the comparison of the two groups of microfinance institutions are discussed in this section.

The demographic profile of the respondents in both the groups was found to be similar in terms of age, education, income and household condition (specifically the head of household or the decision-maker). A notable finding is that 35% of the clients in the faith-based group are male. A further break-up of the results for the three institutions shows that the percentage of male clients is higher for the two institutions that are associated with Al Khair Cooperative and Patna Parish Cooperative associated with Islamic and Christian faiths respectively. Gramin Vikas Samiti (GRAVIS), that follows the Gandhian ideology of Gramin Seva (Village Development), has only women clients. However, other studies on microfinance institutions namely Shri Kshetra Dharmasthala in Karnataka (Harper et al, 2008; Shetty, 2007; Ashta, 2010), Sree Narayana Dharma Paripalana Yogam in Kerala (Sujatha and Somu,

2013) associated with Hindu faith report that they are not women-only. Overall, it may be inferred that faith-based institutions do not target women only.   On the other hand, all the clients in mainstream microfinance institutions in this study were found to be women. The targeting of women only is a limitation of the mainstream microfinance. Ruben (2007) mentions that many microfinance programs target women only. Though women readily form groups and receive loans, they do not necessarily control the use of this amount.   Conrad (2012) cites the findings of Gerhard Klas regarding the adverse effects of targeting women solely in microfinance programs.

The mainstream microfinance predominantly provide loan for productive use to micro-entrepreneurs. Karnani (2007) points out that not all poor clients necessarily possess entrepreneurial skills or the resources. They need loan and financial services for their personal needs too. The micro-entrepreneurs struggle with resources and generally operate at a low scale to achieve efficiency. This leads to a mismatch in their earning and loan repayment. Further a strictly standardized approach leads to the exclusion of "the truly destitute comprised of widows, orphans, the chronically sick, and the mobile landless" (Wright, 2000). A client-centric program will allow the inclusion of diverse population segment. It was found in this research that all the clients of mainstream group were micro-entrepreneurs. On the other hand, a significant portion (20%) of sample from faith-based group was found to be salaried or wage earners. This suggests that faith-based microfinance may accommodate more diverse segment of the poor population.

It was found that a majority of the clients (63% in mainstream and 42% in faith-based respectively) are associated with the institutions for less than 3 years. Those associated for a period of 3-5 years were 38% and 33% respectively in both the groups. None of the respondents are as old as 5 years in case of mainstream microfinance. In case of faith-based microfinance, 25% of the respondents are associated with their institution for more than 5 years. Dunn (2002) describes that due to the neglect of customer understanding, the customers withdraw from the schemes. Therefore, a long association of the clients with the microfinance institution may be a sign of loyalty and satisfaction. However, it cannot be concluded that the occurrence of shorter duration of association for mainstream microfinance institution is because of

withdrawal or drop-out. A detailed investigation will throw more light on this aspect.

The mean values suggest that the clients of faith-based microfinance are more satisfied regarding the reasonability of interest rates, loan procedure, technical support for business and convenient location compared to the mainstream group. However the p value is not large enough to accept the alternate hypothesis that there is a significant difference ($\alpha = 0.05$) between the two groups. The hypothesis that there is a significant difference in the perception of the clients of two groups is accepted for the variables repayment policy (p = 0.0001), availability of loan (p = 0.0001) and staff support (p = 0.0001). The mean values for each variable suggest that the clients of faith-based group are more satisfied on these parameters in comparison to the mainstream clients.

Transparency in the lending process is critical especially for borrowers who are unfamiliar with banking. The microfinance institutions should help ensure that the staff is supportive and help the clients understand -- their loan terms and budget management. (Khan, 2012). The outreach of several microfinance institutions is severely hampered because of the lack of understanding of customers. When the income is not earned on time, the borrower has to pay from his assets or by negatively impacting his resources (Wright, ibid). In one study by ASA (1996), the field officers tried to find the reasons for dropouts and found that the main reasons were inherent to the programme and processes. Mosley and Steel (2004) also emphasized that employment and repayment capacity of the borrowers should be properly gauged to avoid default and stress. This research suggests that the clients of faith-based microfinance have a better perception of the repayment policy. The three faith-based microfinance institutions employ different repayment policy and recovery methods. GRAVIS employs the weekly repayment method in meetings, Al-Khair Cooperative follows the daily recovery method in many of its loan products and the Patna Parish Cooperative has a monthly repayment method. Diversity in the overall procedure is also established when other studies on such institutions are considered as cited in Table 1.

On one of the variables, discrimination among the borrowers, there is found to be significant difference (p = 0.0001) between the perception of clients of the two groups. The mean values suggest the clients of faith-

based group agree more with the statement that there is a discrimination of the borrowers. This dimension needs to be probed further by taking a larger sample of clients of more faith-based institutions. In case it is established that the clients perceive that there is discrimination, the institutions must take appropriate steps to overcome this issue.

The traditional approach to microfinance has been institutional delivery. Since the microloans were normally required to be collateral-free, there was a need for the developers to find some alternative. They included peer pressure, social collateral and other tools like frequency of repayment, meetings, compulsory deposits and fear of expulsion. Further, the system of highly standardized credit was developed (Churchill and Halpern, ibid). The incidences of suicides by borrowers, drop-outs, willful defaults and low outreach have been the areas of concern for the microfinance industry. The microfinance institutions like other businesses need to understand the preferences and needs of the customers. The understanding of consumer behavior specifically requires the financial needs of the poor, the management of resources by poor and most importantly how do they face the emergency conditions (Sebstad and Cohen, ibid). The results of this research indicate that faith-based microfinance is customer-centric and has greater chance of developing the social capital for the poor. They are diverse in their procedures and more connected to the customers. So, this model may be able to overcome many problems facing the industry.

This paper considered only three faith-based microfinance institutions for analysis. On a wide scale, there is a need to consider more institutions for generalizability of the findings. The variables considered for client satisfaction were analyzed individually for a more objective assessment. There is further scope for studying the inter-relationships of the variables, inclusion of other variables and using scales similar to those used in the financial services industry. Client satisfaction is an important success factor for the microfinance institutions in the light of recent developments in the microfinance sector. The findings of this paper suggest that faith-based microfinance institutions are more client-centric and diverse in approach. The clients of these institutions were found to have a better perception on the various aspects of client satisfaction. However, further investigations are required to establish these propositions. Though sustainability studies carried out in earlier studies suggest that these institutions are sustainable too, researchers

may find this dimension interesting to be investigated. The faith-based model of microfinance may be considered by policy makers to play an important role in achieving the goals of financial inclusion and poverty alleviation.

References

Alhemoud, M. (2010). "Banking in Kuwait: a customer satisfaction case study. Competitiveness Review: An International Business Journal incorporating, *Journal of Global Competitiveness* 20 (4), 333-342.

Ashraf, A. and Hassan, M.K. (2012). "An Integrated Islamic Poverty Alleviation Model" Chapter 14 in Contemporary Islamic Finance: Applications, Invations and Best Practices, edited by Karen Hunt-Ahmed, John Wiley and Sons.

Ashraf, A., Hassan, M.K. and Hippler, W. (2014) "Performance of Micorfinance Institutions in Muslim Countries," *Humamics*, 30 (2), 162-182

ASA, (1996). "Dropout In Micro-Credit Operation", ASA, Dhaka.

Ashta, A. (2010), "Hinduism and Microfinance", Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1728384&http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1728384

Bloemer, J., de Ruyter, K. and Wetzels, M. (1999) Linking Perceived Service Quality and Service Loyalty: A Multi-Dimensional Perspective". *European Journal of Marketing*. 33 (11/12). 1082.

Bradley, T., (2009), "A Call for Clarification and Critical Analysis of the work of faith-based development organisations (FBDO)". *Progress in Development Studies*, 9 (2), 101-114.

Buckley. G, (1996). "Micro-finance in Africa: is it either the problem or the solution?" *World Development*, 25, 1081-1093.

Churchill, C and Halpern, S., (2001). "Building Customer Loyalty" CGAP.

Clarke, G., (2008). "Faith-Based Organisations and International Development". In Clarke & Jennings (Eds.) *Development, Civil Society and Faith-Based Organisations- Bridging the Sacred and the Secular*. London, Palgrave.

Coleman B.E., (2006). "Microfinance in Northeast Thailand: Who Benefits and How". World Development 34 (9), 1612–1638.

Conrad, N., (2012). "Critics Say Small Loans Hurt The Poor". *Development Policy*. Retrieved from http://www.dw.de/critics-say-small-loans-hurt-the-poor/a-6686585.

Cronin, J., and Talyor, S., (1994), "SERVPERF Versus SERVQUAL: Reconciling Performance–based and Perceptions–Minus-Expectations Measurement of Service Quality", *Journal of Marketing*, 58, 125-131.

De Cordier, B., (2009). "Faith-based Aid, Globalisation and the Humanitarian Frontline: An Analysis of Western-based Muslim Aid Organizations". *Disasters*. Overseas Development Institute.

Dicklitch, S. and Rice, H., (2004). "The Menonite Central Committee (MCC) and Faith-based NGO Aid to Africa", Development in Practice, 14 (5).

Dunn, E., (2002). "It Pays To Know The Customer: Addressing The Information Needs of Client-Centered MFIs". *Journal of International Development*, 14, 325–334.

Fikkert, B., (2003). "Christian Microfinance: Which Way Now?," Working Paper 25, presented at the *20th Anniversary Conference of the Association of Christian Economists*, Washington.

Goglio, S. and Alexopoulos, Y. (eds.), (2013). *Financial Cooperatives and Local Development*. London:Routledge.

Harper, M., Rao, D.S.K, and Sahu A.K., (2008). "*Development, Divinity and Dharma - The Role of Religion in Development and Microfinance Institutions,*" Practical Action Publishing, Warwickshire.

Hassan, M. K., Sanchez, B. and Ngene, G., (2012). "Scales and Technical Efficiencies in Middle East and North African (MENA) Micro Financial Institutions," *International Journal of Islamic and Middle Eastern Finance and Management*, 5 (2), 157-170.

Hefferan, T., Adkins, J., and Occhipinti, L.A., eds., (2009). *Bridging the Gaps: Faith-Based Organizations, Neoliberalism, and Development in Latin America and the Caribbean*, Lexington University.

Hoda, N. and Gupta, S.L., (2014). Loan Portfolio of a Faith-based Microfinance Institution: An Empirical Analysis. *Post Modern Openings*, 5 (1), 65-94.

IFAD, (2007). "Survey Report on the Relationship between Customer Satisfaction in Rural Finance and Technological Innovation Usage by Rural Finance Institutions (RFIs)", A Four-country study of selected RFIs in East and Southern Africa. Draft Report   Retrieved from http://www.fsdu.or.ug/pdfs/3AMC%20Conference%20Presentations/Day%201/Introductory%20Addresses/Final%20Report%20-%20IFAD%20Customer % 20Satisfaction% 20Survey.pdf

Jeavons, T. H., (1997). "Identifying Characteristics of "Religious" Organizations: An Exploratory Proposal." In J. Demerath III, P. D. Hall, T. Schmitt,& R. H.Williams (Eds.), *Sacred Companies: Organizational Aspects of Religion and Religious Aspects of Organizations* (pp. 79-95). New York: Oxford University Press.

Jodhka, S.S., and Bora, P., (2009). "Mapping Faith-based Development Activities in Contemporary Maharashtra, India", *Religions and Development Research Programme*. Working Paper 28.   International Development Department, University of Birmingham. Available at: http://www.religionsanddevelopment.org/files/resourcesmodule/@random454f80f60b3f4/1249395995_working_paper_28.pdf   (Accessed 10 May 2011)

Kanyurhi, E B., (2013) "Evaluation of customer satisfaction with services of a Micro-finance Institution : Empirical Evidence from WAGES' customers in Togo", *African Journal of Marketing Management*, 5(2), 26-37.

Karim, N. and Khaled, M. (2011). "Taking Islamic Microfinance to Scale". CGAP. Retrieved from http://www.cgap.org/blog/taking-islamic-microfinance-scale

Karnani, A., (2007). "Microfinance Misses its Mark", *Stanford Social Innovation Review*, Summer

Kaur T., (2004). "Burqa-clad and Empowered", *India Together*, Hyderabad.

Kessler, E. and Arkush. M., (2009). "Keeping Faith in Development: The Significance of Interfaith Relations in the World of Humanitarian Aid and International Development Organisations", Cambridge, UK: Woolf Institute. Accessed April 19, 2012. http://www.woolf.cam.ac.uk/assets/pdf/woolfinstkeepingfaith

Khan, J and Nisar, S. (2004). "Collateral (Al-Rahn) as Practiced by Muslim Funds of North India", *Journal of King Abdul Aziz University: Islamic Economics*, 17 (1), 17-34.

Khan, M. (2012). "Microfinance is down but not out", Retrieved from http://www.huffingtonpost.com/moushumi-m-khan/microfinance-is-down-but-_b_1773696.html

Khan, M. S. (2009). "Al-Khair Cooperative Credit Society: A Working Model of Interest-free Microfinance" Retrieved from http://www.radianceweekly.com/167/4045/it039s-bare-discrimination-nay-hate-but-what039s-the-solution/2009-08-16/microfinance/story-detail/al-khair-cooperative-credit-societya-working-model-of-interest-free-microfinance.html.

Kirmani, N., and Khan, A. A. (2008). "Does Faith Matter: An Examination of Islamic Relief's Work with Refugees and Internally Displaced Persons", *Refugee Survey Quarterly*, 27 (2), 41-50.

Kirmani, N., and Zaidi, S., (2010). "The Role of Faith in the Charity and Development Sector in Karachi and Sindh, Pakistan". *Religions and Development* Working Paper 50.

Korauš, (2002), "Quality Of Services in the Financial Sector and Types of Client Behavior", *BIATEC*, X.

Kozel, V., and Parker, B., (1998). *Poverty in Rural India: The Contribution of Qualitative Research in Poverty Analysis*, Washington, DC: The World Bank.

Martin, J. P., Chau, J., and Patel, S., (2007). "Religions and International Poverty Alleviation: The Pluses and Minuses", *Journal of International Affairs*, 61(12), 69-92.

Mersland, R., D'Espallier, B. and Supphellen, M., (2013). "The Effect of Religion on Development Efforts: Evidence from the Microfinance Industry and a Research Agenda", *World Development* 41 (c), 145-156.

Minimol M. C., and Makesh K. G., (2012). "Empowering Rural Women In Kerala: A Study on the Role of Self-help Groups (SHGs)", *International Journal of Sociology and Anthropology*. 4(9), 270-280

MIX (Microfinance Information Exchange), 2010. MIX Global 100, Retrieved from http://www.themix.org/sites/default/ files/2009%20MIX%20Global%20100%2 Composite.pdf.

Morduch, J., (2000). The Microfinance Schism. *World Development*, 28, Issue 4. pp 617-629

Morgan, N. A., L. L. Rego. (2006). "The Value of Different Customer Satisfaction and Loyalty Metrics in Predicting Business Performance", Marketing Science, 25(5), 426–439.

Mosley, P., & Steel, L. (2004). Microfinance, the Labour Market and Social Inclusion: A Tale of Three Cities, *Social Policy and Administration,* 38 (7).

Murray, I., & Lynch, E. (2003). What Do Microfinance Customers Value. Retrieved from http://www.swwb.org/sites/default/files/pubs/en/ what_do_microfinance_customers_value_e.pdf

Murray, I., (2001). What do MFI Customers Value? A Comparative Analysis from Three Continents. Women's World Banking, 1 (1) Retrieved from http://www.ruralfinance.org/fileadmin/templates/rflc/ documents/1160574976361_Customers_20Value_April04.pdf

Ndemo, E. B., (2006). "Assessing Sustainability of Faith-based Enterprises in Kenya", *International Journal of Social Economics*, 33 (5/6), 446-462

Obaidullah, M., ed. (2007), *Role of Microfinance in Poverty Alleviation: Lessons from Experiences in Selected IDB Member Countries*, Islamic Development Bank.

Othman, A., and Owen, L., (2001). "The Multi-dimensionality of Carter Model to Measure Customer Service Quality (SQ) in Islamic banking industry : A Study in Kuwait Finance House", *International Journal of Islamic Financial Services*, 3(4), 124-143.

Owusu-Boateng, K., (2012). "An Assessment of Customer Satisfaction in the Microfinance Industry: A Case Study of Opportunity International Savings and Loans Limited", *Master Thesis*, University of Science and Technology, Lusaka.

Patrick, H. (2005). "Measuring Microfinance Access: Building on Existing Cross-country Data", *Policy Research Working Papers*. World Bank..

Paul, N., (2012). "CORD's Case Study on Inclusive and Sustainable Rural Development in India", *International Journal of Academic Conference Proceedings,*1(2)

Pont, M., and McQuilken, L., (2002). "Testing the Fit of the BANKSERV Model to BANKPERF Data", *ANZMAC 2002 Conference Proceedings*, 2, 861-867

Rahman, A., (1999). *Women and Microcredit in Rural Bangladesh***.** Oxford: Westview Press, pp. 150

Rahman, R.A. and Dean, F. (2013) "Challenges and solutions in Islamic microfinance", Humamics, . 29 (4), 293 – 306.

Rhyne, E., (2010). "A Tale of Microfinance in Two Cities" http://www.huffingtonpost.com/elisabeth-rhyne/a-tale-of-microfinance-in_b_795840.html

Ruben, M. (2007), "The Promise of Microfinance for Poverty Relief in the Developing World", *Proquest CSA Discovery Guides* Retrieved from http://www.csa.com/discoveryguides/microfinance/review.php

Sebstad, J and Cohen, M., (2001). *Microfinance, Risk Management and Poverty*. Consultative Group to Assist the Poorest, Copestake

SEEP Network. (2000). "Learning from Clients: Assessment Tools for Microfinance Practitioners. AIMS" *Working Paper. AIMS Project*. Management Systems International: Washington, D.C.

Seybold, P. B. (2001). *The Customer Revolution: How to Thrive when Customers Are In Control*, New York: Crown Publishing.

Shetty, N.K., and Veerashekharappa (2009)."Institutional Innovation And Access To Micro Health Insurance For The Poor: Evidence From Karnataka". *Journal of Risk and Insurance*, ICFAI Press,.VI(1).

Sider, R & Unruh, H., (2004). "Typology or Religious Characteristics of Social Service and Educational Organisations and Programs", *Non-profit and Voluntary Quarterly*, 33:1, 109-134.

Smith, S. R., & Sosin, M. R., (2001). "The Varieties of Faith-Related Agencies". *Public Administration Review*, 61, 651-670.

Sujatha, V. and Somu, A. (2013). "Outreach and Sustainability of SHGs: A Study of SNDP Union's Self-help Groups", *Research Journali Journal of Management*, 1(1)

Swaid, S., and Wigand, R., (2007), "Key Dimensions of E-commerce Service Quality and Its Relationships to Satisfaction and Loyalty", *20th Bled Conference Mergence: Merging and Emerging Techlogies, Processes, and Institutions*, June 4 - 6, 2007; Bled, Slovenia.

Urquizo, J., (2006). "Improving and Monitoring Customer retention. In Microcredit Summit" [Online] Available from http://www.micro creditsummit.org/papers/Workshops/31_Urquizo.pdf[Accessed 28/02/12]

Van Engelenhoven. (2006). *Faith and Fortune*, Centre for International Development Issues Nijmegen (CIDIN)

Vidal, C., (2001). "Faith-based Organizations in Community Development", HUD's Office of Policy Development and Research (PD&R), U. S. Department of Housing and Community DevelopmentOffice of Policy Development and Research. Retrieved from http://www.nebhands.nebraska.edu/files/Faith%20Based%20Commu nity%20Development.pdf

Wright, G. A. N., (2000). *Microfinance Systems: Designing Quality Financial Services for the Poor*. Zed Books Ltd. London & New York, and The University Press Limited, Dhaka

Wrigley, A. (2011), "Who's afraid of holistic development? Navigating the interface between faith and development", BA Thesis. http://faithindevelopment.org/doc/Dissertation.pdf

Appendix 1: Details of Sample from Mainstream and Faith-based
Microfinance Institution

S No	Name of the MFI	Males	Females
Mainstream Microfinance Institutions			
1	BASIX	0	42
2	Astha	0	31
3	Bandhan	0	18
4	SKS Microfinance	0	45
5	Suraha Microfinance	4	10
Total (%)		4 (3%)	146 (97%)
Faith-based Microfinance Institution			
6	GRAVIS	0	50
7	Al Khair Cooperative	35	14
8	Patna Parish Cooperative	17	33
Total (%)		52 (35%)	147 (65%)