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STRATEGIC CUSTOMER RELATIONSHIP MANAGEMENT ON PERFORMANCE OF MICRO FINANCE INSTITUTIONS IN RWANDA

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ABSTRACT

Globally, the use of customer relationship management as a strategic approach has become increasingly popular and that trend shows no signs of changing when it comes to performance of micro finance institutions at large. It is critical for micro finance institutions to understand how strategic and customer-centric CRM can support their efforts to achieve their corporative objectives. Thus, this study offered a detailed overview of how customer relationship management effects performance of micro finance institutions in Rwanda. The purpose of this study was to assess the effect of strategic customer relationship management on performance of micro finance institutions in Rwanda. The study adopted a cross sectional survey which was descriptive in nature. This study used positivism research philosophy. The target population for the study comprised of the MFIs managers and some selected employees of the 21 Micro finance intuitions in Rusizi District. Stratified sampling was used to divide the target group into four strata. Purposive sampling was used to ensure that the elements in each stratum had certain characteristics relevant to the study. A pilot study was undertaken on four (4) firms to test the reliability and validity of the questionnaire. Data for the study was collected by use of questionnaires, interviews and observation using descriptive and inferential statistics. Data collected was analyzed through SPSS version 21. Data for the study was collected by use of questionnaires, interviews and observation using descriptive and inferential statistics to establish the relationship between the dependent and independent variable. The findings revealed that the coefficient of determination (R^2) of 0.44, which meant that this variable alone explained up to 44.0% of the variations in the dependent variable, performance of micro-finance institutions in Rwanda. This implied that there exists a positive significant relationship between strategic customer relationship management and performance of micro-finance institutions in Rwanda. The hypothesis was tested by using multiple linear regressions and determined using p-value. The acceptance/rejection criterion was that, if the p value is less than 0.05, we reject the H_A but if it is more than 0.05, the H_A is not rejected. Therefore, the alternate hypothesis was that there is significant influence between strategic customer relationship management on performance of micro finance institutions in Rwanda. Results showed that the p-value was 0.00. This was supported by a calculated t-statistic of 3.616 that is larger than the critical t-statistic of 1.96. The alternative hypothesis was therefore not rejected. The study therefore adopted the alternative hypothesis there is significant influence between strategic customer relationship management on performance of micro finance institutions in Rwanda. The *findings confirmed that Strategic Customer Relationship Management has significant influence on performance of micro finance institutions in Rwanda hence the need for organizations to consider use of good management practices to be able to focus on the organizational learning that may impact on the micro finance institutions in Rwanda. The study therefore recommended the micro finance institutions in Rwanda to consider adoption of good strategic Customer Relationship Management and review of policies related organizational learning from time to time to enhance their performance.*

Keywords: *Strategic Customer Relationship Management, MfIs, Performance, Rwanda*

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INTRODUCTION

Strategic Customer relationship management has become the main medium in gaining profits by all kind of business in Rwanda. Effectively designed customer relationship management program gives a lot of benefits to the consumers as well as profits to the micro finance institutions. Uzel *et al.,* (2012) clarified that Customer Relationship Management (CRM) is one of those magnificent concepts that swept the business world in the 1990's with the promise of forever changing the way businesses small and large interacted with their customer bases.

According to Ugheokea, Isab and Noor (2015) successful strategic CRM plan uses marketing, selling and service operations all together in some amount, in order to achieve three stages in relationships. First, a company needs to acquire the special types of customers or market segments that it finds important. Secondly, the strategically significant relationships are retained and developed. Thirdly, as the relationships develop, the company can offer the best value propositions for the most important customers. In order to achieve all this, the company must have close cooperation with its suppliers and other operators in its business network.

The importance of designing effective customer relations program should be the first thing in mind of the retailing industry managers (Salesboom, 2014). MFIs needs to know the exact stage of any given sales process, they need to know their best prospects and leads, they need to know the strengths and weaknesses of each member of their mobile sales team, and they need to know all this, or any part of it, instantly Awino (2011). That's where the importance of strategic CRM comes into its own whether it's offering discounts or freebies; these are geared towards maintaining continued customer patronage and giving the customers 100% satisfaction from the purchase of company product or services (de Waal, 2010). In Mshenga and Owuor, (2009) study, managing your customer relationship is important, but is critical for Service Businesses who rely on repeat customers, ongoing contracts and referrals. While in Anisimova (2007) study, it mentioned that MFIs need to know what's important to their customer.

Statement of the Problem

A close relationship between the customers and MFIs is the key factors towards the profitable relationship between them. Long term relationship between MFIs and customers will give benefit to both sides. This is because customers are the main source of profits for MFIs are the main places where customers can get their support to enhance performance. Companies measure customer commitment by their transactions. But that often has little to do with how people genuinely feel about the business (McKee, 2007). Customer's loyalty will bring more profits to the MFIs where they are willing to keep coming to their preferred banking arena. In order to measure the customer's loyalty, companies should do it by measuring customer's willingness to come again and give good review about the business. The most difficult part is keeping the customers. Consumers have many motivations for choosing a product or service provider: quality and variety of products and services, price, location convenience, and quality of customer service all factor into why a consumer chooses to patronize a particular merchant at a particular moment (Saxena & Maru, 2016). A number of past studies discussed the relationship between CRM and customer satisfaction but fewer studies were conducted to examine the CRM strategies practices.

It seems that not even very strong explanatory factors have been identified, though various explanatory approaches have been presented. These studies, though very important to the industry players, fell short in identifying the effects of strategic customer relationship management on MFI performance. Thus, there was a compelling need to establish the effects of effects of strategic customer relationship management on MFI performance in Rwanda. This is because the research hypothesizes that the effects of strategic customer relationship management on performance of micro finance institutions in Rwanda.

LITERATURE REVIEW

Theoretical Perspective

This paper discussed the agency theory upon which the study is anchored. According to Alchian and Demsetz (2002) the agency theory contends that many banks are managed by the managers and not by the owners. Banks that are managed by professional managers are expected to better analyze and monitor credit awarded to their clients. MFIs should be properly managed, and management should be "fit and proper" to be able to make decisions on credit risk management and that which should steer banks to high levels of profitability. Portfolio theory in the financial sector is applied in constitution of loan portfolios of banks where there are guidelines on loans that banks should extend to their clients, such as limit in terms of credit that should be extended to third parties.

Regulatory constraints may directly limit banks' risk-taking as regulations may limit banks' portfolio composition or may force banks to expand into areas that they previously would not have entered. Regulations may lower the credit standards applied by banks while enhancing rapid expansion of credit (Coyle, 2000). Evolution of credit risk management in financial in the last decade from the point of view of the regulator was that of protecting the interests of depositors by promoting prudent business behavior and risk management on the part of individual financial institutions though not to eliminate failure but to keep their incidences low. The pace of evolution can be linked to the realization that the techniques are developed for the measurement of credit risk (Laker, 2007; McDonough, 1998; Couhy, 2005; Brown, 2004). Adopting different credit risk management policies is meant to differentiate different banks in terms of credit evaluation.

Strategic customer relationship management
- Customer feedback
- Customer retention
- Customer data mining

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Performance of micro finance institutions
- Turnover of customers and employees
- Market share
- Quality Service
- Customer Satisfaction

Independent variables **Dependent variable**

Figure 1: **Conceptual Framework**

Strategic customer relationship management

Customer Relationship Management improves performance through its various processes because it enables companies to evaluate their efficiency in serving customers. Hotels therefore have a duty to identify customer needs in order to plan how to satisfy them (Abdullateef, Mokhtar &Yusoff, 2010). Customer relationships are one of the most expensive assets a hotel can have because satisfied customers are more likely to return to the hotels and also to recommend others (Jones, Mark, & Sim, 2007). Uzel (2012) states that there is intense competition in today's micro finance which requires managers to adopt strategic drivers of performance in order to improve micro finance. This is because MFIs that maintain long run performance are the ones that are able to build customer loyalty and retention. Lo, Stalcup, and Lee (2010) established that CRM brings benefits in terms of improved performance which results from acquiring new customers as well as sustaining customers for competitive advantage.

Customer Relationship Management improves performance through reduction of the costs incurred in acquiring customers and also the profitability that results from customer loyalty (Chang, 2007). CRM is a customer centered rather than product cantered interaction with customers which add value to the services offered in micro finance to enhance the desired results. Minal and Kasim (2009) state that CRM improves hotels performance through engaging profitability customers in long term relationships in order to improve profits. CRM if applied will attracts new customers in the hotel industry which is facing a lot of competition which requires that they differentiate their customers (Piccoli, O'connor, Capaccioli, and Alvarez, 2008). Micro finances like other organizations need to assess user's satisfaction levels towards their service so that they can use the feedback to make positive adjustments to their products and services. Iravo et. al., (2013) states that dissatisfied customers will be disloyal to the organization and will talk about their bad experience to other customers. In this research, CRM is viewed as a strategy for driving customer loyalty and improving micro finance performance

METHODOLOGY

The study adopted a cross sectional survey which was descriptive in nature. Bowen (2005); Njanja, Ogutu and Pellisier (2012); Namusonge, Nteere and Mukulu (2012) have used both designs in their studies successfully. Therefore, this study applied quantitative research design to determine the effects of strategic organization learning on performance of MFIs in Rwanda. The target population for the study comprised of the MFIs managers and some selected employees of the 21 Micro finance intuitions in Rusizi District. The managers and employees were found useful for this study because they were the market drivers tasked with the strategic organizational learning for performance of Micro finance intuitions in Rusizi District. The MFIs selected were deemed to have been operating in Rusizi District as at 31st December 2018 as per AMFI records. From each micro finance institution, five respondents were targeted. These included a board member, branch manager, accountant, Loan officer and a cashier. Hence the target population for this study comprised of 105 respondents.

This study adopted Yamane (1967) simplified formula to calculate the sample size which provided the number of responses that need to be obtained using the equation:

$$n = \frac{N}{1 + Ne^2}$$

Where;

n is the sample size,

N is the population size (105)

e is the desired level of precision (0.05)

$$n = \frac{105}{1+105\,(0.05)^2} = 84$$

Both stratified sampling and purposive sampling methods was deployed. Stratified sampling method was used to divide the population into distinct, independent strata that enabled the researcher to draw inferences about specific subgroups that may be lost in a more generalized random sample thus lead to more efficient statistical estimates (Creswell, 2013). The main instruments of primary data collection for this study were the questionnaire. Structured questionnaires were most appropriate for their ability to be easily administered, completed and analyzed (Creswell, 2013). Valid and detailed questions about the effects of strategic organizational learning on performance of MFIs in Rwanda was structured.

A pilot study was undertaken on four (4) firms to test the reliability and validity of the questionnaire. The rule of the thumb is that 1% of the sample should constitute the pilot test (Cooper & Schindler, 2013). The four firms were selected from Kigali province.

Analysis of strategic customer relationship management

Regression analysis was performed in order to determine whether the independent variable strategic customer relationship management could be reliable for explaining the change in the dependent variable, performance of micro-finance institutions in Rwanda. The coefficients obtained indicated that the correlation coefficient (R) between the independent variable (strategic customer relationship management) and the performance of micro-finance institutions in Rwanda was 0.663 which was a positive correlation relationship. Table 1 showed a coefficient of determination (R^2) of 0.44, which means that this variable alone can explain up to 44.0% of the variations in the dependent variable, performance of micro-finance institutions in Rwanda. This implied that there exists a positive significant relationship between strategic customer relationship management and performance of micro-finance institutions in Rwanda.

Table 1: Model summary showing strategic customer relationship management

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.663[a]	.440	.436	.5318171

a. Predictors: (Constant), Strategic customer relationship management

The Analysis of Variance (ANOVA) results were shown in Table 2. The findings further confirmed that the regression model of strategic customer relationship management on performance of micro-finance institutions in Rwanda was significant for the data F = 119.214, p<0.01) since p-values was 0.00 which was less than 0.05

Table 2: ANOVA for strategic customer relationship management

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	34.528	1	34.528	119.214	.000[a]
	Residual	44.023	82	.290		
	Total	78.551	83			

b. Dependent Variable: Performance
c. Predictors: (Constant), Strategic customer relationship management

The coefficients of strategic customer relationship management are presented in Table 3 which indicated that the model had a significant p-value =.000. The study at 95% confidence interval solved the research question by indicating that the variable strategic customer relationship management is statistically significant in the performance of micro-finance institutions in Rwanda.

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Table 3: Coefficients of strategic customer relationship management

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.171	.267		4.837	.000
	Strategic customer relationship management (X2)	.766	.070	.663	10.919	.000

a. Dependent variable: corporate governance performance

Using the summary of Coefficients presented in Table 3, a linear regression model of the form, Y = α + βXi can be fitted as follows:

Y = 1.171+0. 766X2...............................Equation 1

This implied that a unit change in strategic customer relationship management would increase performance of micro-finance institutions in Rwanda by the rate of 0.766.

Hypothesis Testing

H_0: There is no significant effect between strategic customer relationship management and performance of micro finance institutions in Rwanda.

The hypothesis was tested by using multiple linear regressions and determined using p-value. The acceptance/rejection criterion was that, if the p value is less than 0.05, we reject the H_{A2} but if it is more than 0.05, the H_{A2} is not rejected. Therefore, the alternate hypothesis is that there is significant influence between strategic customer relationship management on performance of micro finance institutions in Rwanda. Results in Table 4.25 shows that the p-value was 0.00. This was supported by a calculated t-statistic of 3.616 that is larger than the critical t-statistic of 1.96. The alternative hypothesis was therefore not rejected. The study therefore adopted the alternative hypothesis there is significant influence between strategic customer relationship management on performance of micro finance institutions in Rwanda.

CONCLUSION AND RECOMMENDATIONS

The study hypothesis H_0 was that there is no significant effect between strategic customer relationship management and performance of micro finance institutions in Rwanda. The hypothesis was tested and the results indicated that strategic customer relationship management had a positive effect on performance of micro finance institutions. Therefore, it can be concluded that strategic customer relationship management was statistically significant in explaining the performance of micro finance institutions. It was noted that with the help of CRM it is easy for the companies to acquire certain types of customers, from who those with best value offered and received can be separated. These selected customers can then be more focused on and their interests served with care. It was discussed that trust in a relationship together with shared values equal commitment. Committed relationship by both parties is the ideal situation which should be pursued. When commitment is achieved, the relationship is wanted to retain by both parties and the parties are also willing to put more effort on the relationship. This way the relationship can be retained also when facing difficulties.

The study findings confirmed that Strategic customer relationship management has significant influence on performance of micro finance institutions in Rwanda and therefore the study recommended that the top management ensures resource availability to enable people meet the targets and objectives for both functional and as organization as a whole. Further, the leadership should invest in good customer relationship management policies to ensure prudence use of resources.

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