Determining Client Satisfaction of Youth Microfinance Clients: Results from a Primary Data Collection in Mongolia

Executive Summary

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Motivation

The microfinance industry has experienced substantial changes in the last twenty years. The increasing competitiveness has led microfinance institutions (MFI) to increase their focus on understanding their clients' needs and preferences, and on looking for ways to effectively approach the unbanked poor. The youth represents a large share of the world's unbanked population making it an important market for MFIs. There is a widespread believe that providing young people with tailored financial services has a positive influence on their lives as well as on the growth of the economy. However, serving young people with financial products and services specifically designed for them is still a rather new practice in developing countries. Mongolia has a relatively high financial services penetration and the MFI, whose clients have been surveyed, is known as one of the pioneers and success stories in terms of youth microfinance.

Survey Objectives and Methodology

The purpose of this thesis is to:

- Compare the concepts of youth financial inclusion to the products offered by the surveyed MFI;
- Identify satisfaction levels among the surveyed MFI's youth clientele with a specific microloan product through primary data collection and analysis.

To achieve the first objective, the industry and academic microfinance literature on financial inclusion for the youth is reviewed and compared to the MFI's products. The second objective is accomplished by identifying key methodological standards for client satisfaction surveys described in the literature. They are then applied in the primary data collection. Microloan features and the lending process are analysed and discussed with the microfinance specialist of the surveyed MFI and used to identify the microloan related attributes and dimensions of analysis. These are adapted to build a conceptual framework for the empirical investigation. The data is collected using a self-administered standardised structured questionnaire between June 11 and 26, 2015 among the MFI's microloan borrowers aged 18 – 34 years. The survey results in 80 completed questionnaires analysed using descriptive statistics and correlations.

Findings

The following study finds that the surveyed MFI supplies the Mongolian youth with several specific financial products and services which contain many elements described in the theoretical concepts of youth financial inclusion.

This paper surveys the satisfaction of a MIF's young clients with a microloan. The resulting findings show that the youth in general is satisfied with the microloan product and related services offered by the MFI. The surveyed borrowers are the least satisfied with the disbursement fee, interest rate and guarantee requirements. It is also found that there is a difference in priorities among 18 − 24 and 25 − 34 year olds. The younger adults are primarily concerned with the guarantee requirements whereas for the older participants the interest rate reflects a major concern instead.

Research implications

The first implication is the importance of appropriately segmenting the youth population and understanding their needs and priorities in order to shape an appropriate microcredit product. More specifically, for 18 − 24 year olds the guarantee requirements and repayment schedule should be tailored to fit their circumstances. Interest rate and lending process need to be the focus of adjustments for those aged 25 − 34 years. Further, the disbursement fee charged on the microloan should be decreased for both age groups.

Evaluation

This thesis contributes to existing studies on customer satisfaction. It provides results that can be useful for the surveyed MFI to increase the satisfaction levels among its young clientele and to develop further products for the youth.

Key words

Customer satisfaction, microfinance, microloan, Mongolia, youth financial inclusion.