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THRIFT COLLECTION: AN EFFECTIVE CUSTOMER SERVICE TOOL FOR BRIDGING THE GAP BETWEEN BANKER AND CUSTOMER

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ABSTRACT: *This paper presents recent research on thrift collection as an effective customer service tool for bridging the gap between banker and customer. The aim of the study is, besides other things, to establish the influence of thrift collection as an effective service tool for bridging the gap between banks and customers in Nigeria. The paper assessed the influence of thrift collection on customer patronage, loyalty and access to funds. The research methods used were questionnaire survey and observation. The methods were further supplemented with a semi-structured interview with the customers of selected banks. The obtained data were analyzed by statistical methods. In association with the conducted researches it can be generally stated that thrift collection has positive effect on bridging customer service gap between banks and customers. The study concluded that thrift collection is crucial to a banking institution, banks are therefore encouraged not to view earning performance as an overriding motive in forming effective thrift collection strategy but based on customer patronage and loyalty with long run earning performance and survival.*
Keywords: *Thrift Collection. Customer Service, Access to credit, Patronage and Loyalty*

INTRODUCTION

Many Nigerians, for so many reasons are unbanked and subsequently lack access to formal financial service. For the very important informal sector through which billions of naira circulates, this situation has impacted negatively on the country's economic growth and development. A body of evidence shows that access to financial services, and indeed overall financial development, is crucial to economic growth and poverty alleviation. Lack of access to formal financial services limits market exchanges, increases risk and limits opportunities to save. Households tend to rely on informal services that are associated with a high cost, when there is no formal form of financial service (Adeniran, 2014). The important policy goal of governments and central banks is to increase access to formal financial services to the majority of households in developing countries. It has also been recognized that even for those with bank accounts, physical distance to the nearest bank branch or to a point of financial service has added significantly to their transaction cost. The nature of thrift collection is the type that requires lots of expense on the path of the financial institutions. The bank takes it upon itself to go in search of customers, some of which may not be willing to open any thrift account or even want to bank with any financial institution. The bank incurs a whole lot of expense in trying to do these. Aside the fact that they are introduced to having a thrift account, many financial institutions also go further to introduce credit facilities to the customers. According to Oyeniyi and Abiodun (2010) in Nigeria, the micro finance banks are those in the banking sector that are really or mostly involved in the thrift business and they go as far as searching for customers in rural areas where people may not be readily exposed to any financial services. Chuku (2010) added that the relevance of the banking institutions in the rural areas is to enhance productivity and to promote standard of living by breaking the vicious circle of poverty in the rural areas. In this kind of system, the introduction of agent banking by the Central Bank of Nigeria (CBN) has been of great help. Agent banking: is the provision of financial services to customers by third party (agent) on behalf of a licensed deposit money bank (principal) but it involves the use of technology. In agent banking a bank uses a shop, convenience stores and so on in the locality to carry out its banking businesses. Using this means, they can also send out their marketers to reach out to the micro and small business owners in order to make the banks products and services that can be rendered by them available (Chude and Chudu, 2014). In addition, Nigeria is still a cash-driven economy. Most consumers and small business owners largely depend on their personal savings and support from friends and relations to obtain funds to start and grow their businesses. This gave rise to the need to remove the constraints to financial inclusion and unlock the potentials and the opportunities presented to significantly improve access to credit. Effective demand is limited where people must rely on their earnings and personal savings to effect consumption. A credit economy is desirable for a prosperous nation with prosperous inhabitants and high level of credit penetration. Low financial penetration leads to low credit penetration and both are indices of weak financial system. The aim of the study is, besides other things, to establish the extent in which thrift collection strategies are implemented in order to bridge customer service gap between bankers and customers.

LITERATURE REVIEW

Millions of Nigerians are not adequately served by the formal financial sector and remains largely unbanked; they continue to find mainstream financial services to be unaffordable, unresponsive and unfriendly. As these limit their opportunity to save, they are forced to rely upon informal modes of saving and depend on Credit union, Co-operatives and Rotating Savings and Credit Associations (ROSCAS). Such institutions have clearly demonstrated the ability of people to organize themselves at a basic level and come together to save and borrow to their mutual benefits (Ojo, 2010). ROSCAS happen to be the most common financial institutions in the world and have been in existence in different forms for hundreds of years. With the commencement of thrift collection, lots of people including the illiterates have been able to have a deposit account with a reliable and trustworthy banking institution, they do not have to go to bank branches to carry out transactions on their account, especially to make deposits, the bank products and services have been brought to their doorsteps. Access to banks products, such as payments, credits, and savings has been made easy through thrift collection which has also helped with financial inclusion. Thrift collection portrays all the important points in defining financial inclusion such that less requirements is needed from the customer, when an account is to be opened for him and also access to numerous financial services, benefits, and so on. Financial inclusion implies access to a broad range of financial services including payments, savings, credit, insurance and pension products (Rezwan and Mahood, 2015) According to Central Bank of Nigeria (2019) survey report indicated that in 2016, 40.1 percent of Nigerian adult population has no access to financial services. 55.1 percent of the excluded population adult female. 61.4 percent of the financially excluded adults were within the ages of 18 and 35years. 35.0 percent had no formal education and 80.4 percent resided in rural areas. Micro, Small and Medium Enterprises (MSMEs) were also financially excluded. The aim of the CBN is to reduce the population of adult Nigerians that were financially excluded to 20 percent in 2020. The result of this survey raises the question of what can be done urgently in order to achieve 80 percent financial inclusion in 2020. The thrift collection service by banks provides banking facilities to rural areas and also to micro and small entrepreneurs who may have little or no time to visit a bank branch to save part or their daily or monthly income.

The Grameen Solidarity Model

This model is based on peer group influence, and loans are made to individuals in groups. Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly. These groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organizations such as the Grameen Bank, who used this model. Under the Grameen Bank variation of this model, groups contain 5 members and savings must be contributed for 4 to 8 weeks prior to receiving a loan. Savings must also continue for the duration of the loan term. Only two of the major group members receive a loan initially. After a period of successful repayment, 2 more members receive loans and after another period of successful repayment, the final members receive a loan. Chuku (2010) cited in his work as highlighted by Ledger (1990), that the fact that this model has contributed to broader social benefits because of the mutual trust arrangement at the heart of the group guarantee system. The group itself often becomes the building block to a broader social network (Gronroos, 2000). There is a need to critically examine this, as repayment is not always easy. Frustration of repayment in the scheme, always result to social decadence.

Concept of Thrift Collection

Thrift collection has emerged over the years as an exciting area of marketing that focuses on building long-term relationships with customers and other parties. There is general agreement that the quality of the relationship between the parties involved is an important determinant of the permanence and intensity of the relationship and the consequent success of thrift collection practices (Ewudare, Alle and Akerele, 2008). Based on the above, thrift collection has received increasing attention in both marketing theory and practice. The strategy of thrift collection is particularly important to the service industries because of the intangible nature of service and their high level of customer interaction. A key feature of the strategy of relationship marketing is that it not only results in increased customer retention and company profitability, but it also provides a sustainable competitive advantage to a service firm as the intangible aspects of a relationship are not easily duplicated by competitors (Kotler, 2000). By building a relationship with customers, firms can gain quality sources of marketing intelligence for better planning of marketing strategy. According to Ojo (2010) in Nigeria, however, thrift collection started a long time ago, long before the modern banking era. Thrift collection is most likely Yoruba or Igbo origin. It is called “Ajo” or “Esusu” which is simply translated “small contribution”. “Ajo” is a revolving loan scheme in Nigeria and is entrenched in many West African countries as a source of credit and savings. Similarly, members in such a society make fixed contributions of money at regular intervals. At each interval, one member collects the entire contributions from all. It can be taken to represent the buildup of money from various sources to get a large sum. It is called by different names in different ethnic groups both in Nigeria and in other parts of the continent. Adeniran (2014) “Ajo” can also be used to reference to Rotating Savings and Credit Association (ROSCA) in Ghana and the Caribbean. The Rotating Savings and Credit Associations are formed when a group of people come together to make regular contribution to a common fund which is then pooled as a source of credits (Khen, Mohamad and Ramahab, 2010). The members of the group may be traders, artisans, farmers or colleagues at work. The group forum provides an opportunity for social interaction. These self-help groups may be classified under informal microfinance institutions. “Ajo” is also a program that can assist people raise funds to execute projects including the expansion of capital for investment purposes. The banking sector in Nigeria has also adopted a method similar to that of the “Ajo”. Each bank sets out its marketers or loan officers to visit different locations in search of customers who are willing to save part of their income and open an account on their behalf, frequently returning to visit these customers to receive their daily deposit or contribution without the stress of visiting any bank branch to make such deposit or even withdrawals on their account.

Quality of Customer Service

Customer service has come a really long way and technology itself has advanced overtime, and as more and more technology evolves, so is/will customer interaction. The success of an interaction with a customer will depend solely on the employees who can adjust themselves to the personality of the customer. In customer service, there is what is known as the Key Performance Indicator (KPI), which is one of the most important aspects of customer service. The Key Performance Indicator (KPI) takes into consideration a vital aspect of customer service, which is the “feel good factor”. The goal is not only to help the customers have a good experience, but to give them an experience that exceeds their expectation (Santouridis, Trivellas and Reklitis, 2009). Market-oriented industries and organizations are more concerned about the satisfaction of their customers and thus view customer satisfaction as their life line. In these industries, extensive efforts are made to gauge customer expectations and reactions to services in a continuous effort to improve, build and expand market share. If their customers are not happy, industries know they are not likely to survive but if their customers are happy, the use of their products and services and the likelihood of greater profit increase. Marketing experts mentioned that satisfied customers are critical to profitability because they stay with the company longer as repeat customers, deepen their relationship with the company, demonstrate less price sensitivity and recommend the company’s products or services to others. In the past, businesses relied on technology and product innovation for competitive advantage. Nowadays, the main marketing focus is shifting towards customers (Nieman, Hough and Niewenhuizen, 2003). Recent finding has shown that customer satisfaction is more important in the current marketplace than ever before. Big business attitude is giving way to a micro business mentality where front-line associates treat customers with dignity. Banks today are working in a highly competitive and rapidly changing work environment. The quality of service rendered by bank to its customers has to be that which shows respect, dignity and impartiality. Top bank management knows the importance of establishing strong relationships with customers to ensure long-term profitability and sustainable core revenues. The total service quality is the customer’s perception of difference between the expected service and the perceived service. It is also the difference between customers’ expectations for service performance prior to the service encounter and their perceptions of the service received. According to Entrepreneur’s Organization (2017) there are ten dimensions of the quality of service to customers, these are: reliability, responsiveness, competence, access, courtesy, communication, creditability, security, understanding the customer, and tangibles. Reliability happens to be the most important dimension among the ten dimensions.

Customer Satisfaction and Patronage

For a long time, marketing focused on acquiring customers instead of attempting to retain them. Therefore, thrift collection was developed as an effective strategy to attract, maintain and enhance customer relationships (Solomon, 2010). It is concerned with retaining customers, influencing repeat purchases, fostering trust and facilitating future marketing. It is difficult to define the term ‘relationship’. Most writers simply talk about relationships, or a move from a transactional approach to a relational approach used the term as the “personal relationship between two people.” This definition may be attractive for a supplier, but may not be so for a buyer, who is expected to make a commitment. Most of thrift collection definitions emphasize longer term perspective, focusing on keeping customers rather than getting customers. One common point among the many definitions of relationship marketing is that it is associated with attempts by firms to develop long-term relationships with certain customers. Satisfaction is a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived out come in relation to his or her expectations (Kotler, 2000). According to Goodluck (2011) satisfaction is formed by the customer comparing their pre-purchase expectations of what they would receive from the product with their subjective perceptions of the performance they actually received. Also, customer’s level of satisfaction with an organization or a service provider is determined by evaluating service quality along with other factors. Therefore, the satisfaction a customer enjoys from the service rendered to him/her is derived by the discrepancy between perceived performance and cognitive standards such as his expectations and desires. Sahin and Kitapci, (2013) established that in an organization's capabilities and customers' perception and learning, service quality plays a significant role in customer patronage and usage of a product service. So there is a positive relationship between service qualities and repurchase intention and the willingness of a customer to make recommendation. Dabholkar et al. (2000) suggested that the quality of service rendered to customers of the organization has influence on customer satisfaction and patronage. Chen et al. (2012) argued that relationship exists between customer service and customer satisfaction and that customer service can increase customer satisfaction both directly and indirectly. Santouridis et al. (2009) added that in the context of financial service, service fairness is also considered along with service quality while forming levels of satisfaction in order to create a strong relationship between customer satisfaction and customer retention as well as the attraction of new customers. Customer retention leads to an increase of both sales and profitability.

Customer Loyalty

Thrift collection is a form of service provided by financial institutions to its customers. Customers are seen as important stakeholders in organizations and the success of any service provider solely depend on the high quality of service provided and satisfaction derived from such service by customers and in turn have a positive effect on their loyalty. Kheng et al (2010) opined that improvement in the quality of service rendered by an organization to its customer can increase their patronage and loyalty. Sanayei, (2012 also gave the suggestion that there is a direct relationship or link between the quality of service rendered to the customers of an organization and behavioral intentions. Among the behavioral intentions, emphases have been placed considerably on the impact of the quality of service on determining repeat or continuous purchase and customer loyalty. The relationship between customer loyalty and customer satisfaction is that customer loyalty will increase significantly when satisfaction reaches a certain level and at the same time customer loyalty will drastically reduce if the satisfaction level drops to a certain point. Highly satisfied customers tend to be more loyal customers than the customers who were merely satisfied. (Todaro, 2009). Therefore, the quality of service influences a customer's subsequent behavior, intention and preferences.

METHODOLOGY

Survey method was adopted to collect data for analysis. The target population of this study was the selected deposit money banks and micro finance banks in Nigeria where a census survey was carried out on bank which comprised insured deposit money banks. The study made use of primary data. The primary data was obtained through a structured questionnaire and observation. The organization was the unit of analysis and the target respondents were bank managers and customers of selected Ikorodu local government.in Lagos State. These methods were further supplemented with a semi-structured interview with customers and employees of the banks. The bank employees responded to the section on the thrift collection while the customers responded to the section on the customer access to financial services. Ninety five (95) out of one hundred and twenty (120) questionnaires were properly completed, returned and analyzed using regression analysis. Simple regression analysis was used to establish the nature and magnitude of the influence of thrift collection as an effective customer service tool for bridging customer service gap between banker and customer. Descriptive statistics such as frequencies and percentages were computed for organizational data and multiple choice questions in order to describe the main characteristics of the variables of interest in the study. Mean scores were computed for a modified four point Likert type of questions. SPSS software was used for analysis. Data was presented in form of tables.

DATA ANALYSIS AND DISCUSSION OF RESULTS: This study sought to establish the influence of thrift collection on bridging customer service gap between banker and customer. The tests were carried out using simple regression analysis at 5% significance level (a=0.005). To test the hypotheses, it was necessary to compute composite scores for variables that had several measures. In this regard, composite scores were calculated to represent the responses to the various attributes that defined customer access to financial services. Similarly, composite scores were calculated to represent the responses to the various attributes that defined thrift collection which were used as input to the evaluation. The outline and the results from the evaluation were as presented below: Ho: Thrift collection has no significant influence on customer access to creditThis hypothesis was tested by regressing thrift collection on customer access to credit guided by the equation $Y=\beta o+\beta_1 X$ where X represented thrift collection Y denoted customer access to credit. The results of the regression are represented in table 1 below Table: 1

Variables	Coefficients	Std. Error	T-Stat	Prob.
Constant	**2.780**	**0.425**	**6.546**	**0.003**
Thrift Collection	**0.393**	**0.093**	**4.222**	**0.000**
R-Square	**0.175**			
F-Stat	**17.822**			
Prob. Value	**0.000**			
DF	**85**			

The results presented in table 1 indicate that the influence of thrift collection on customer access to credit was positive and significant (R^2=0.175, F=17.822, p<0.05). From the table, 17.5% of the variation in customer access to credit was explained by variation in thrift collection. It also suggested that thrift collection accounted for 17.5% of the variation in customer access to credit, (R square=0.17.5%, p<0.05), β was also statistically significant (β 0.393, t=2.546, p<0.05). The probability value of the first hypothesis tested showed 0.000 which was less than 0.05 (p<0. 05).The p-value is statistically significant and therefore the null hypothesis is rejected. Overall regression results presented in table 1 indicate that thrift collection has a positive significant positive influence on customer access to credit. The hypothesis that says there is no significant influence of thrift collection on customer access to credit is rejected. The hypothesis that thrift collection influences customer access to credit was therefore confirmed.

H_O: Thrift Collection has no significance influence on Customer Patronage

The influence of thrift collection on customer patronage was tested and the results were as presented in table 2 below.

Table 2

Variables	Coefficient	Std. Error	T-Stat	Prob.
Constant	**3.641**	**0.434**	**8.513**	**0.000**
Thrift Collection	**0.211**	**0.105**	**2.007**	**0.000**

R-Square	**0.046**			
F-Stat	**4.027**			
Prob.	**0.000**			
DF	**85**			

The results presented in table 2 show that the influence of thrift collection on customer patronage was positive and significant (R^2=0.046, F=785.197, p< 0.05). From the table, 4.6% of the variation in customer patronage was explained by variation in thrift collection (R square=0.046, p< 0.05), β =0. 211, t=8.513, p< 0.05). Overall regression results presented in table 2 indicate that thrift collection has significant effect on customer patronage. The hypothesis that thrift collection has no significant influence on customer patronage is rejected and alternative hypothesis that thrift collection influences customer patronage is confirmed.

H_O: Thrift collection has no significance influence on customer loyalty

The influence of thrift collection on customer loyalty was tested and the results were as presented in table 3 below.

Table 3

Variables	**Coefficient**	**Std. Error**	**T-Stat**	**Prob.**
Constant	**3.496**	**0.648**	**5.397**	**0.000**
Thrift Collection	**0.231**	**0.141**	**1.635**	**0.000**
R-Square	**0.031**			
F-Stat	**2.674**			
Prob.	**0.000**			
DF	**85**			

The results presented in table 3 show that the influence of thrift collection on customer loyalty was positive and significant (R^2=0.031, F=2.674, p< 0.05). From the table, 3.1% of the variation in customer loyalty was explained by variation in thrift collection (R square=0.031, p< 0.05). β =0. 231, t=5.397, p< 0.05). Overall regression results presented in table 3 indicate that thrift collection has significant influence on customer loyalty. The hypothesis that thrift collection no significant influence on customer loyalty is rejected and alternative hypothesis that thrift collection influences customer loyalty is confirmed.

CONCLUSIONS AND RECOMMENDATIONS

The research results implied that thrift collection significantly influence access to funds, customer patronage and loyalty. The implication of this to a micro and small businesses is that access to funds at different stages of their existence is an essential condition for growth and contribution to economic development of a country, poverty alleviation and reduction of financial exclusion. Most of micro and small business owners have thrift accounts with microfinance banks compared to commercial banks. Their access to bank credit facilities has increased over the years. Thrift collection is an effective customer service tool for bridging good banker-customer relationship Banks whether microfinance or commercial should seek out ways and methods to enhance thrift contribution facilities in order to encourage and improve customer patronage and loyalty level. A happy and satisfied customer will always most of the time make recommendations to others about the bank products and services which in turn attract more and new customers to the bank. In conjunction, credit facilities should be made available to accentuate the efforts of thrift collection. Efficient loan officers and marketers should be put in charge of thrift and contribution activities to maintain and improve the level of customer patronage and loyalty. Banks may employ some cost effective new financial technologies that will enable their customers carry out transactions with ease. This would actually lead to the reduction in cost that may be incurred by the banks during the process of collection of the daily contribution from each customer or the collection of their loan repayment

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