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## MARKETING POSITIONING AND FINANCIAL PERFORMANCE OF MICROFINANCE BANKS IN NIGERIA

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### Abstract

The study investigated effect of marketing positioning on financial performance of microfinance banks in Nigeria from 1992-2021. The study adopted the Longitudinal Research Design. The market positioning proxies considered are: mono-segment positioning, multi-segments and adaptive positioning. The study used the content analysis to measure the each of the marketing positioning while the dependent variable (financial performance) was sourced using the aggregate return on asset of all microfinance banks in Nigeria. The data obtained were analyzed using Regression Analysis. E-view software package was used for the regression analysis. The study considered four (4) main pre-estimation tests which are Variance Inflation factors-VIF, Ramsey Reset Test-RRT; and Heteroskedasticity test-HET. The result reveals that, market positioning (mono-segment positioning, multi-segments and adaptive positioning) are positively significant and defensive positioning is negatively significant on microfinance banks' performance. The study recommends that, microfinance banks the microfinance banks should devote more of their resources to attracting a single, narrowly defined type of customer. This is with a view to meet the specific needs of their customers. The study contributed to the extant empirical investigation on market segmentation and financial performance of microfinance banks in Nigeria.

**Keywords:** Marketing Positioning, Financial Performance, Microfinance Banks, Mono-Segment Positioning, Multi-Segments, Adaptive Positioning.

### INTRODUCTION

Microfinance banks are the cornerstone in the promotion of rural development through financial inclusion and financial literacy, deposit mobilization and credit delivery to finance micro-

enterprises, boosting small-scale enterprises or agriculture by financing them. With the help of microfinance banks the needs of low income earners have been meant without stress. Microfinance banks has brought hope to people who are hopeless in the sense that people who could not meet the requirements of borrowing from deposit money banks were able to fall back to MFBs. If microfinance banks are properly equipped with the needed resources or capital, they will eradicate poverty and also improve the standard of living of the less privileged. Microfinance banks are therefore strategically positioned to expand the financial frontier and stimulate the exploitation and development of economic opportunities in the informal sector through the provision of traditional and even non-traditional banking services such as technical and managerial assistance, sale of output and input purchase financing, machinery and equipment leasing and community development financing.

In Nigeria, micro financing is not a new phenomenon. Before the formal microfinance institutions was introduced, informal microfinance activities such as “esusu”, “adashi”, “otataje”, “ajo” was dominant among petty traders and farmers in the rural area. However, in 2005, the Central Bank of Nigeria formulated a new policy frame work to enhance the access of financial services to micro-entrepreneurs and low income earners who require such loans to improve the level of their productivity and increase the standard of living of individuals in the country which will in turn increase the financial performance of the microfinance banks.

Market positioning is important in advancement of microfinance banks and their profitability. For microfinance banks to thrive in the evolving technological development in the country, they have to position themselves in the right way that they will be able to meet the needs of their customers. Market positioning is a way banks present their financial services to their customers in relative to their relation to their competitors. Aremu and lawal (2012) defined positioning as evaluation of customers and its environment in relation to the financial services provided by the MFBs. Proper market positioning brings about increase in number of customers and this result to high profitability in MFBs.

In addition, market positioning is how microfinance banks differentiate its services from its competitors and how to win more customers. Market positions are achieved through the use of competitive advantage in generating resources that satisfied the needs of their customers. Adigbole and Osemene (2019) indicated positioning is more than advertising and promotion. This means that positioning involves developing new strategies that attracts customers for the service rendered. According to Wambui (2018) banks has witnessed an increased competition which has made banks management to device new strategies of improving financial performance of banks. The core of market positioning is customer bonding which includes the attraction, satisfaction and retention of customers.

Financial performance of the microfinance banks is credited to proper positioning. If the marketing department of the banks position the MFBs the way it ought to, they will have more people subscribing to their services thereby leading to increase in profitability of MFBs. Miller (2016) indicated that financial performance of banks is the effort the banks put in place to achieve their desire profitability by the use of human efforts and financial resources. The concept of performance evolves from the concepts of efficiency and effectiveness.

Despite the role that microfinance banks played in order to improve the standard of living of the less privileged in the country (Nigeria) they are still faced with the problem of proper marketing

positioning. For microfinance banks to advance from the level they are recently, they need to strategize better positioning in offering their services to their customers.

Though, several research works has been done on positioning and financial performance. For example, Gachimu and Njuguna (2017), examined Strategic positioning and financial performance of commercial banks in Kenya and the result that technological innovation contributed greatly in improving financial performance of the banks than market segmentation strategy, product focus strategy and location. Odhiambo and Wanjira (2019), studied Strategic Positioning and Competitive Advantage of Commercial Banks in Uasin Gishu County, Kenya and the result showed that there is positive and significant relationship between mono-segment positioning, multi-segment positioning, standby positioning, adaptive positioning and defensive positioning on organizational competitive advantage. However, no research work has been done on market positioning and financial performance of microfinance banks in Nigeria. This makes the study the most recent work.

Furthermore, the study critically examined how adaptive positioning, mono-segment positioning, multi-segment positioning, defensive positioning affect financial performance of microfinance banks in Nigeria for the period of 30years (1992-2021).

## LITERATURE REVIEW

### Conceptual Framework and Linkages

Marketing segmentation remains one of the critical means through which microfinance banks achieve its core objective. One of the most popular means through which microfinance banks achieve this includes market positioning. In regards to market positioning, it reflects how customers perceived bank services in relation to competitors services or how a customer differentiate product or service from competitors, Day, (2014). Hooley, Broderick and Moller (2018), positioning strategy is defined as choice whereby a company target market segment (customers),and strategizing means to compete with competitors in the same segment. This is measured by competitor based positioning, social media positioning and differentiation strategy. When microfinance banks position it the way it ought to, the more the financial gain because more people will subscribe to their services. This means that there will be a positive relationship between market positioning and financial performance of MFBs in Nigeria.

The most paramount forms of market positioning are mono-segment positioning, Multi-segment positioning, Defensive positioning, and Adaptive Positioning. These forms of market segmentations and positioning according to Odhiambo and Wanjira (2019) are critical to achieving higher financial performance.

Adaptive positioning consists of periodically repositioning a brand to follow the evolution of the segment's needs. It is measured by brand repositioning, segment needs, and market mix

Multi-segment positioning is a market strategy that divides your target audience into multiple groups which comprise consumers with similar demographics and preferences. It is analyzed by geographical base, customer base, and economies of scale.

Defensive positioning is how the MFBs are able to protect themselves from competitors' and consumers' threat. This is proxy by additional brand, Product distinction, Consumer perception

Mono-segment positioning is a marketing strategy that focuses on creating a product and marketing program that caters to the preferences of a single market segment. This is measured age, gender, and income level. If MFBs are able to meet the need of a particular segment the

better the financial performance. The four (4) paramount measures of market positioning can be positively or negatively significant to the MFBs financial performance.

Other variables to measure market positioning are competitors based positioning, differentiation strategy and social media positioning.

In another light, Competitors-Based Positioning is another means through which microfinance banks achieve this. Justifiably, competitors based positioning is a marketing strategy that refers to how banks distinguish its products or services from its competitors. When microfinance banks are able to differentiate its services from its competitors, the better they become. The components of competitors based positioning are treat of new entry, rivalry among existing forms, bargaining power of buyers and bargaining power of suppliers.

Similarly, social Media Positioning is a system by which microfinance banks present its services to online users in comparison with its competitors. When microfinance banks position themselves in the way people like, their financial performance will increase in the sense that people will key into their services. The make-up of social media positioning are valuable content and strategies to outperform competitors.

Furthermore, differentiation Strategy is an approach MFBs develop by providing customers with something unique, different and distinct from services provided by their competitors in the banking industry. That is if MFBs is able to win the heart of their customers, it will lead to long lasting patronage which in turn brings higher profit. MFBs can continue to have more customer's patronage if they continue appreciate technological innovation in their daily operation. The components of differentiation strategy are reduced price competition, unique products, better product margins, better quality and customers brand loyalty.

. The term "financial Performance" is the state of making financial gain from services provided by the microfinance banks to their customers. Apart from seen customer as king, the main motivate every business or MFBs is to make profit. The financial performance of MFBs is measured by profitability (ROA). Increased in the profitability of banks brings about development, increase in salary, increase in loan advancement, etc. Lagat, Frankwick & Sulo (2015), indicated a positive relationship between market orientation, innovation types and performance.

### **Theoretical Review**

Market positioning theory was developed by theorists Ries and Trout in 1969. The important of market positioning is the heart beat of customers. The theorists were of the opinion that as time progresses product features will not be relevant rather is how a firm position its products in the heart of the customers. The theorists' advice top management of different companies that firms should offer its products based on customers' need so as to survive in the long-run. That is, to take advantage of positions already owned (Wirtz & Lovelock, 2017). The theory is relevant to the study because without proper competitor based positioning, differentiate strategy and social media positioning, microfinance will not fulfill the principle of going concern. This theory is also important in the sense that, it regurgitating the mind of companies toward market positioning so as to improve their financial performance.

### **Empirical Review**

Okeyo, and Lewa (2020) investigated the effect of strategic positioning on organizational performance of commercial banks in Mombasa Count. The study used survey method. The target

population of this study consisted of 150 managers in the 25 commercial banks in Mombasa that included operations managers, finance managers, information technology managers, marketing and sales managers, product development managers and corporate managers. The study adopted primary and secondary methods of data collection. Descriptive analysis was done in terms of standard deviation and means. The relationship between the variables was determined by use of multiple regression analysis method. The findings of the study shows that to stay competitive, banks must come up with strong marketing strategies that ensure customers only keep the image of their products.

Lagat, Frankwick, and Sulo (2015) assessed the Effect of market positioning on market orientation, innovation types and firm performance linkage. The study used the resource based view, the competitive advantage paradigm as a framework in testing the theoretical relationships between the constructs. The study adopted a correlational research design and it involved the use of a questionnaire-based survey of a random sample of 220 managers of Manufacturing Companies. The results showed a positive relationship between market orientation, innovation types and performance.

Gachimu and Njuguna (2017) examined Strategic positioning and financial performance of commercial banks in Kenya. The population of the study was the 43 commercial banks licensed by Central Bank of Kenya and operational by the close of business 31 December 2015 with data collected from managerial staff. Both primary and secondary data was used. Correlation analysis was carried out to investigate the strength of the relationship between the dependent variable and independent variables. Multiple regression analysis to investigate the nature of the relationship between the dependent and independent variables was undertaken. The study realized that the commercial banks in Kenya apply the four positioning strategies which include market segmentation, product focus strategy, technological innovation and location strategies to improve their competitiveness. The findings showed that technological innovation contributed to a greater extent in improving financial performance of the banks than the other three variables.

Odhiambo and Wanjira (2019) studied Strategic Positioning and Competitive Advantage of Commercial Banks in Uasin Gishu County, Kenya. Explanatory research design was used in this study. The unit of analysis was commercial banks in Uasin Gishu County, Kenya and the unit of observation was 748 employees in 25 banks. A stratified random sample was used as a significant blend of categorization and randomization. A sample of 173 employees was selected. Questionnaires were used in collection of data. Descriptive statistics and multiple regression analysis were used to analyze data. The study established a positive and significant relationship between mono-segment positioning, multi-segment positioning, standby positioning, adaptive positioning and defensive positioning on organizational competitive advantage.

### **METHODOLOGY**

This paper adopted the longitudinal research design. The essence of adopting this research design is because; the variables under investigation are secondary in nature and have existed in over. The study population is all the 916 microfinance banks in Nigeria as at 31<sup>st</sup> December, 2021. This approach is paramount since both the population and sample size equals. The study sourced data from the World Bank data base and the CBN Statistical Bulletin, 2021. The variables considered are market positioning and financial performance of microfinance banks. The study spanned from 1992 to 2021. These periods a deemed appropriate for the study. The

quantitatively measure the independent variables; they were measured using the content analysis. The mean of each items were considered in line with the findings of Odhiambo and Wanjira (2019). The Regression Analysis was used for the analysis. Prior to presenting the main result estimates, four (4) main pre-estimation tests were considered. These include: Variance Inflation factors-VIF, Ramsey Reset Test-RRT; and Heteroskedasticity test-HET. This is to ensure that, the model is fit for prediction. Econometrically, the model is expressed as:

$$PROF = \beta_0 + \beta_1ADAP + \beta_2MUTS + \beta_3DEFP + \beta_4MOSP + u_{it} \dots\dots\dots(1)$$

Where:

$\beta_0$  = Constant

PROF = Return on Asset.

ADAP = Adaptive Positioning using the content analysis. Items used for scoring include: Brand repositioning, segment needs, and market mix

MUTS = Multi-segment Positioning using the content analysis. Items used for scoring include: Geographical, Customer base, and Economies of scale

DEFP = Defensive positioning using the content analysis. Items used for scoring include: Additional brand, Product distinction, Consumer perception

MOSP = Mono-segment positioning using the content analysis. Items used for scoring include: Age, Gender, and Income level

The above analysis was computed by Econometric Views version 9.0. This package was chosen since it is feasible for panel data estimate. More so, it is user friendly and globally recognized.

**RESULTS ESTIMATES AND DISCUSSIONS**

This section presents and discusses the results of the three analyses conducted in the study: preliminary analysis, diagnostic checks and inferential statistical analysis.

**Preliminary Analysis**

Table 1

*Descriptive Statistics*

Study Variables	Mean	Maximum	Minimum	Std. Dev.	Observations
PROF	0.4137	4.9700	-2.6040	0.7799	30
ADAP	0.6392	0.8889	0.1667	0.1686	30
MUTS	0.6312	0.8000	0.2000	0.1704	30
DEFP	0.6335	0.8889	0.0000	0.1910	30
MOSP	0.5516	0.3524	0.0535	0.2532	30

Source: E-Views Version 9.0 (2023)

Table 1 gives a snapshot of the descriptive statistics. Table 1 evidenced that, the microfinance banks on the overall, reported a profit margin of 41.37% while the items of ADAP, MUTS, DEFP, and MOSP scored 0.6392, 0.6312, 0.6335, and 0.5516. Additionally, if the independent variables deviated by 0.7799, 0.1686, 0.1704, 0.1910, and 0.2532. Furthermore, PROF, ADAP, MUTS, DEFP, and MOSP had lowest values of -2.6040, 0.1667, 0.2000, 0.0000, and 0.0535 and highest values of 4.9700, 0.8889, 0.8000, 0.8889, and 0.3524. This further suggests that, the possibility of normality is slim but was further tested (figure 1):

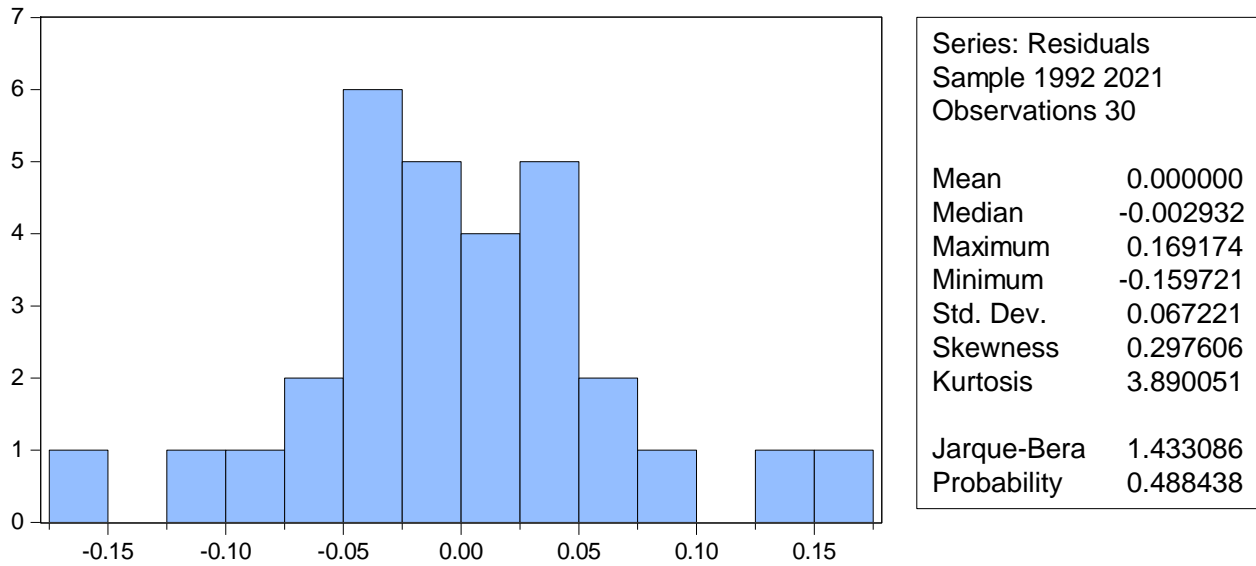


Figure 1: CUSUM Variables  
Source: E-Views Version 9.0 (2023)

Table 2  
*Correlation Analysis*

VARIABLE	PROF	ADAP	MUTS	DEFP	MOSP
PROF	1.000000				
ADAP	0.646829	1.000000			
MUTS	0.744376	0.023907	1.000000		
DEFP	-0.586532	0.150331	0.004078	1.000000	
MOSP	0.061758	0.156516	0.070192	0.017794	1.000000

Source: E-Views Version 9.0 (2023)

Table 2 account for correlation analysis. The analysis clearly evidenced that, multi-segments and adaptive positioning are directly related with profitability and that such relationship is strong. However, mono-segment positioning is directly related with profitability and that such relationship is weak. However, defensive positioning is indirectly related with profitability and that such relationship is strong.

When considered from the relationship among the independent variables (regressors), none of the variables had high correlation since their correlation coefficient values are below 70 as suggested by Ighosewe, Akpokere, and Agbogun (2022). This reveals that, the possibility of multicollinearity problem is low. To ascertain this, the model is submitted to Multicollinearity test.

**Diagnostic Tests**

Various diagnostic tests considered are variance Inflation factors-VIF, Ramsey Reset Test-RRT; and Heteroskedasticity test-HET. They are therefore presented thus:

Table 3  
*Robustness Checks*

Variables	VIF	1/VIF
ADAP	2.2906	0.4366
MUTS	1.0010	0.9990
DEFP	2.2893	0.4368
MOSP	2.2883	0.4370
<b>Average</b>	<b>1.9673</b>	<b>0.5773</b>

Source: E-Views output (2023)

Table 3 shows that, ADAP, MUTS, DEFP, and MOSP reported VIF values of 2.2906, 1.0010, 2.2893, and 2.2883. This reveals that, the study variables are devoid of multi-collinearity problems. This further reveals that, the model is fit for prediction.

Table 4

*Other Robustness Checks*

Ramsey Reset Test	F-statistic	2.708782	(1, 33)	0.1123
Heteroskedasticity Test	F-statistic	0.934775	Prob. F(4,29)	0.4380

Source: Eviews Output (2023)

The Ramsey RESET Test and the Heteroskedasticity test in Table 4 reported that, model is correctly specified and spreads equally since it p-values are greater than (>) that 5% significant level. Lastly, the CUSUM estimate is presented below:

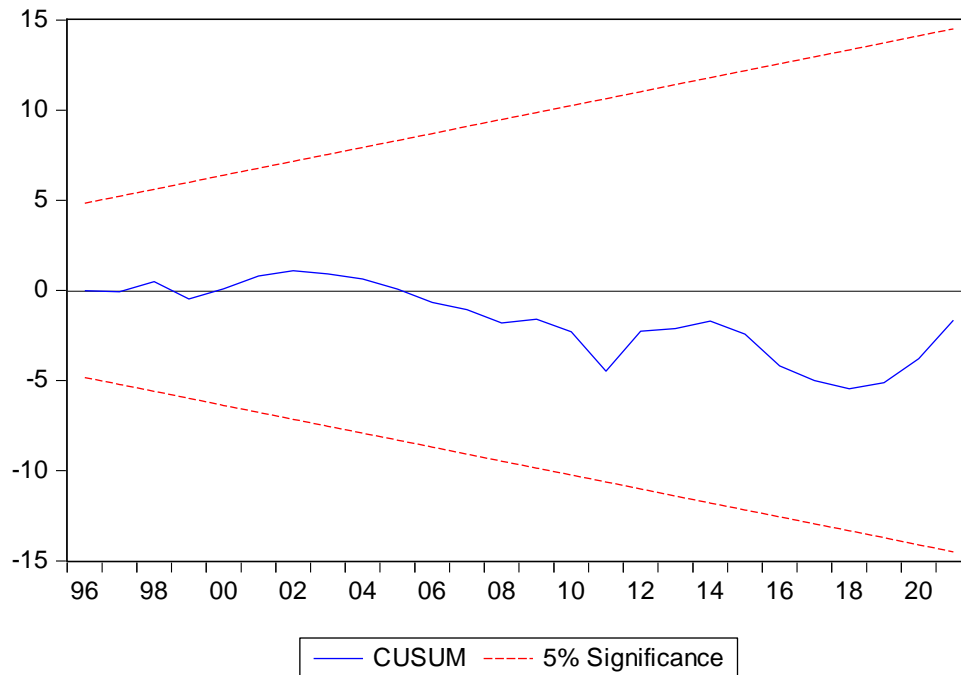


Figure 2: CUSUM Variables  
Source: E-Views Version 9.0 (2023)

**Regression Result**

The diagnostic tests (Multicollinearity, Ramsey Reset Test-RRT; and Heteroskedasticity test-HET) evidenced that, the model is free from Multicollinearity problem, well-articulated and Homoskedastic. It is in this light that, the regression estimate as reported in table 5:

Table 5

*Regression Estimate*

Dependent Variable: PROF  
Method: Least Squares  
Date: 06/17/23 Time: 18:56  
Sample: 1992 2021  
Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.067271	0.906256	4.487993	0.0001
ADAP	0.418802	0.067312	6.221769	0.0000
MUTS	0.213583	0.080172	2.664072	0.0127
DEFP	-0.418802	0.067312	-6.221769	0.0000
MOSP	0.006918	0.028000	0.247060	0.8067

R-squared	0.580275	Mean dependent var	0.153080
Adjusted R-squared	0.565285	S.D. dependent var	0.092021
S.E. of regression	0.060672	Akaike info criterion	-2.702315
Sum squared resid	0.103072	Schwarz criterion	-2.608902
Log likelihood	42.53472	Hannan-Quinn criter.	-2.672431
F-statistic	38.71041	Durbin-Watson stat	2.019946
Prob(F-statistic)	0.000001		

Source: E-Views Version (2022)

Table 5 aimed at testing whether regression is significantly better in predicting the outcome or not. Specifically, the F statistics was used to represents the ratio of the improvement in prediction that results from analyzing with regression relative to the inaccuracy that still exists. For the 1st model predicting mono-segment positioning, the F-ratio is 38.71041 which is far above 1 and is also highly significant at 5% level. This further reveals that, market positioning (mono-segment positioning, multi-segments and adaptive positioning, and defensive positioning) improved microfinance banks' performance significantly. Again, the Durbin Watson statistics of 2.019946 signals that, the model is free from serial correlation. Meanwhile, R-Squared value of 0.580275 and adjusted R-Squared value of 0.565285. That is the model has a high predictive power.

On individual basis, the study affirmed that, multi-segments and adaptive positioning has a high direct significant effect on microfinance banks' performance. This implies that, through multi-segments and adaptive positioning, microfinance banks can increase their customer base which in turn increases their profit base. This further revealed that, market positioning increases microfinance banks' competitiveness. Again, the more microfinance banks devote their resources to attracting a single, narrowly defined type of customer with a specific need it can fulfill better than other companies. However, defensive positioning though leads to customer retention but decreases microfinance banks' profit base. This further underscore that, should microfinance banks desire to adopt defensive segmentation strategy by introducing an additional brand in a similar position for the same segment, their profit margin would be but it may protect them against competitors in the long term.

### CONCLUSION AND RECOMMENDATIONS

The study reiterates here that, market segmentations remains one of the salient means through which firms all over the world remains highly competitive. However, the issue as to whether or not it influences microfinance banks performance remains an issue with little or no attention. It is in this light that, this paper seeks to investigate the effect of marketing positioning on financial performance of microfinance banks in Nigeria from 1991-2021. The study adopted the Longitudinal Research Design. The data obtained were analyzed using Regression Analysis. E-view software package was used for the regression analysis. The study considered four (4) main pre-estimation tests which are Variance Inflation factors-VIF, Ramsey Reset Test-RRT; and Heteroskedasticity test-HET. The result reveals that, market positioning (mono-segment positioning, multi-segments and adaptive positioning) are positively significant and defensive positioning is negatively significant on microfinance banks' performance. Hence, the study concludes that, the study conclude that, mono-segment positioning, multi-segments and adaptive positioning are highly instrumental to the performance of microfinance banks' performance in

Nigeria. As such, the microfinance banks should devote more of their resources to attracting a single, narrowly defined type of customer. This is with a view to meet the specific needs of their customers. Again, microfinance banks in Nigeria should advocate more for multi-segments and adaptive positioning. Meanwhile, defensive market positioning should be relaxed.

Lastly, the study contributed to the extant empirical investigation on market segmentation and financial performance of microfinance banks in Nigeria.

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