

Fundamental Role of Marketing in the Banking Sector

OGBADU, E. Elijah^[a]; ABDULLAHI, Usman^{[a],*}

^[a] Department of Business Administration, Kogi State University, Anyigba, Nigeria

* Corresponding author. Email: Atusman96@yahoo.com

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Abstract

Marketing is the process of introducing and promoting the product or service to the market and encourages sales from the buying public. The study examines the fundamental role of marketing in the Nigerian Banking Industry. Nigerian banking sector has been characterized by an unethical marketing practices which have resulted to poor handling of customers of certain banks. The aim of the study is to ascertain the extent of marketing practices in Nigerian banks and the role marketing plays in bank's performance. The study was designed around a survey research. Data collected were analyzed in tables and tested the research hypotheses with the analysis of variance (ANOVA) statistical techniques. Findings revealed a direct positive relationship between marketing and bank performance. It then concludes that Nigerian banks engage in marketing to a considerable extent and marketing plays a significant role in the banking sector. Hence, recommend that bank's should increase their marketing efforts to enable them perform optimally and out perform competition.

Key words: Marketing role; Banking services; Performance

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INTRODUCTION

Good marketing has become increasingly vital ingredient for business success. And marketing profoundly affects our day-to-day lives. It is embedded in everything we do (Kotler & Keller, 2006, p.3-4) Marketing practices are continually being refined and reformed in virtually all industries to increase the chances of success. Marketing is very important in an organization, that one could equate it with finance. While finance may be considered as the life wire of business, especially start up capital, marketing is the only thing needed so that the capital invested could be recouped and for the business to continue to exist.

In the first instance, there is no business that exists except there is market for such business. While market may be viewed as a point where exchanges takes place, marketing is considered as a set of human activities directed at facilitating and consummating mutually satisfying exchange relationship between the marketer and the market (Linus & Vivienne, 1997, p.2). This definition justifies the dependence of business on marketing.

Marketing being the bedrock for business survival is commonly believed to have progressed through five distinct phases of evolution since the beginning of the time. According to White (2010), the simple trade era, the production era, the sales era, the marketing department era, and marketing company era. The modern marketing have been argued to have evolved in the mid 1800s in advance countries like the United State of America and the early 1900s in developing countries such as Nigeria. Linus and Vivienne (1997, p.2) argued that a form of exchange relationship within the society had, however, been in relationship before the advent of modern marketing. This exchange relationship started when individuals were able to produce given items more than they could consume.

The importance of marketing is viewed to the extent that financial success is said to depend on marketing ability. Finance, operation, accounting and other business functions will not really matter if there is not sufficient demand for products and service so the company can make a profit. According to Kofo and Suraju (2006, p.14), marketing provides the necessary cash and credit to produce, transport, and store, promote, sell, and buy products. The foregoing are however achieved through revenue generated from sales.

The traditional business focus is to produce and sell to the market (customer), whereas, a firm can never be sure that customers will want to buy its product. Therefore, the modern marketing idea emphasizes the identification and understanding the needs and wants of customer in the market, and adapting the operation of the organization to deliver the right goods and services more effectively and efficiently than its competitors for their satisfaction and mutual benefit. According to Paul (1995), satisfying the customer is what marketing is basically all about. Marketing fuels competition and better deals for consumers, it encourages innovation in an attempt to satisfy customers better. The basic premise of the marketing concept is that its adoption will improve business performance. Marketing is an acid test of the effect that its use has on key corporate indices such as profitability and market share.

In line with this, banks today are operating in a highly competitive and rapidly changing environment. In the changing economic scenario, a professional approach to business development is essential and the survival of a banking institution depends on its ability to take up challenges coming up in the environment. Developing business through marketing of bank's services is one of the crucial areas which need attention of the bankers to ensure profitable survival.

Bank marketing like any other marketing philosophy, in any context, refer to the need satisfaction of the institution clients. The basic step involves identifying the needs of the customers and developing products to suit their needs or modifying the existing products accordingly. It also requires the need for foreseeing wants of the customers in future and developing suitable products of their requirements.

Weyer, in Moham (2009) attempted a comprehensive definition for bank marketing. According to him, it consists of identifying the most profitable markets now and in future, assessing the present and future needs of customers; setting business development goals and marketing plans to meet them and managing the various services and promoting them to achieve the plans, all in the context of a changing market environment. Further, successful marketing in a bank call for commitment at all levels to the task defined in this regard. Hence, achieving higher business standards and operational performance through marketing of banking services should be one of the directional goals of the organization.

Thus, from the foregoing, the study is designed to examine the fundamental role of marketing in the Nigeria Banking industry in particular and business in general.

1. STATEMENT OF THE PROBLEM

Research shows that unethical marketing behavior impacts consumer's behavior in the market place. Nigerian banks are mostly found of this behavior which resulted to poor handling of customer complaints. Lack of courtesy, failed promises, the pain and stress which customers of certain banks are made to go through in a single transaction can be highly frustrating and devastating.

The long queues and huge crowds in the banking halls can also be discouraging most time, especially when the weekend is near. Most times, these long queues are as a result of the cashier pushing duty to one another, as to who is to attend to the customer or not.

The issue of money transfer in banks is one major problem that customers of certain banks have been made to experience. In most cases, the customer hardly receives the payment of the money transferred in his account immediately. Thus, marketing practice in Nigeria banks is poor especially in areas of customer motivation and market share.

Academicians have written severally and extensively in the banks journal and periodic for adoption and where not adhered to. Customer themselves have protested through physical complaints and suggestion/complaint box provided by the banks themselves. An International Organization known as KPMG have also carryout survey on key aspect of banking service with the view to make recommendations for way forward to the bank considered not doing well. All these have proved abortive hence the need to carry out this research to address the problems.

2. OBJECTIVE OF THE STUDY

The major objective of the study is to examine how selected banks have used marketing as a tool of competition in the changing business environment in Nigeria. Other specific objectives are as follows:

To examine the extent of marketing practices in Nigerian banking sector.

To determine the role of marketing in Nigerian banking sector.

3. REVIEW OF RELATED LITERATURE

Most researchers determine a bank marketing as an integrated system of organisation development and marketing of banking products, aimed at meeting the needs for individual consumers and profit based research and market forecasting.

Deryk Weyer of Barclay's Bank attempted a comprehensive definition for Bank marketing as quoted by Mohan (2009), it consists of identifying the most profitable markets now and in future; assessing the present and future needs of customers; setting business development goals and marketing plans to meet them and managing the various services and promoting them to achieve the plans, all in the context of a changing market environment.

According to Shamsheer (2009), Bank marketing does not only include service selling of the bank but also is the function which gets personality and image for bank on its customers' mind. Further, bank marketing is based on a thorough knowledge of objective information about the market; the real consumer needs initiative and enterprise, finding the most profitable markets for banking products and effectively adapting to the market.

Marketing plays an informative role in the banking sector, it can be used to reach out to more and more customers and explain to them the benefits of depositing their money with the bank this will thereby, generating more deposits for the bank. Proven marketing strategies help banks grow and maintain profitability despite increased competition. Frank (2012), financial institutions such as investment companies are directly competing with commercial banks. Banks need effective marketing strategies to retain their existing customers and attract new customers. According author, the environment for banks is more challenging, employing effective bank marketing strategies will enable a bank to grow and maintain profits.

According to Anubhuti (2011), marketing is a very useful tool for banking sector for attracting customers for various banking products, stating that old days are gone for banking where in the customer had to walk into his bank and ask for services. Due to increase in competition, it has become imperative for banks to use marketing tool to increase their marketing share by providing awareness of their products to their prospective customers.

Now banks have to provide knowledge of their products to their customers and create requirement of their products among the prospective customer and for that marketing has become a most important tool which connects the customers and products offered by the bank. For the bank to derive maximum returns and enhance market position, the marketing mix has to be effectively managed. The marketing mix include product, price, promotion and place. All these can be integrated into the configuration of banking services.

Thus, successful marketing in a bank calls for commitment at all levels to the task defined in this regard. Achieving higher business standards and operational performance through marketing of banking services should be one of the directional goals of the organization.

4. RESEARCH METHODOLOGY

This section described the method and sources of data used in the research work. It includes the population, sample size and technique, data collection and data analysis technique.

4.1 Research Design

Research design helps the researcher develop a mental image of the structure for gathering the data and the analysis that will follow as observed by Asika (2006). It is the framework for study used as a guide in collecting and analyzing data. The researchers made use of the survey research design while carrying out the study.

4.2 Population of the Study

The population of the study is a census of all items or subjects that possess the characteristics or that have knowledge of the phenomenon being studied (Asika, 2006). The population for this study comprises of thirty five thousand, six hundred and eighty (35680) staff of four selected banks in Nigeria as follows: First Bank Plc, 13,000; UBA 12978; Zenith Bank Plc 7800 and Access Bank Plc 1902 (Abdullahi, 2012).

4.3 Sample Size and Sample Technique

A sample is a part of a population. It is a sub group of observation from a large population in order to make inferences about the characteristics of the large population. Since it would neither be possible nor practicable to study all customers of the banks, we will determine our sample size statistically by applying Taro Yamani formula (1976) as follow:

$$n = \frac{N}{1 + N(e)^2}$$

Where n = sample size

N = population

e = Margin of error (0.05)

The sample size is thus 390. Since our sample size comprises of staff of four banks, we used Kurnar Departmental Allocation formula to determine the amount of sample that dues to each of the banks as used by Abdullahi (2012), as follows:

$$nh = \frac{n(MH)}{M}$$

Where: n = sample size

MH = Population of the Department

M = Overall population

The sample size allocation is: First Bank Plc 144; UBA Plc 144; Zenith Bank Plc 87 and Access Bank 21 respectively.

4.4 Data Collection

The following method of data collection provided information on how the necessary data on which the

results and conclusions obtained at the end of the study were base. The study made use of primary data. The primary source includes structured questionnaire and interview with staff of the selected banks. A total of 396 questionnaires were administered. The questionnaire is divided into three sections, section A seeks to elicit responses on the personal data of respondents. Section B examine the extent of marketing practices in the selected banks, while section C examine the role of marketing in the banks. The general effect of the questionnaire is to examine the effect of marketing in Nigerian banking industry.

4.5 Method of Data Analysis

Analysis of data refers to those techniques whereby the investigator extracts from data, the information that was

not apparently there before and which would enable a summary description of the subject studied to be made. The information referred to here is the information that enables the study to test the research hypothesis. The data was manually computed with the analysis of variance (ANOVA). Model specification is as follows:

$$SSB = r \sum (\bar{x}_{ij} - \bar{x})^2$$

$$SSW = \sum (x_{ij} - \bar{x})^2$$

4.6 Data Presentation and Analysis

This section involved the data collected from the field survey on the responses to the research question and other key questions considered appropriate to address the objectives of the study. These will form the basis for testing the research hypotheses.

Table 1
Distribution of Response of the Respondents

Questions	Response	Percentage
To what extents are marketing practices in Nigerian Banks?		
- Low extent	64	16.2
- Moderately	201	51
- Large extent	49	12.4
- Very key extent	47	12
- Undecided	34	9
State the marketing practices carried by Nigerian Banks.		
- Speed of service	60	15.2
- Handling customers complaints	202	51.1
- Ethical practices	72	18.2
- Courtesy	47	12
- Uncertain	14	4
How will you rate the role of marketing in Banking sector		
- Less significant	167	42.2
- Highly significant	219	55.4
- Not significant	9	2.3
Marketing is a competitive tool for Nigerian Banks		
- Yes	326	82.5
- No	54	13.7
- I don't know	15	3.8

Source: Field survey, 2013

Above table shows the response rate of respondents. A total of 64 respondents representing 16.2% of the sample size assert that marketing practices in Nigerian banks is at a low extent, 201 respondents representing 51% says marketing practices in Nigeria Bank is moderate, 49 respondents representing 12.4% believe its at large extent while 47 respondents representing 12% states that Nigerian Banks practice marketing at a key extent. 34 respondents representing 9% are yet to decide the extent of marketing practices in Nigerian Banks.

In responding to the types of marketing practices carried out by Nigerian Banks. 60 respondents representing 15.2% of total sample size went for speed of service option, 202 respondents representing 51.1% states that Nigerian Bank's marketing practices is customers complaints handling, 72 respondents representing 18.2% believes Nigerian Banks involves in ethical marketing practice while 47 respondents representing 12% argues that marketing practices in Nigerian Banks is mostly on courtesy. 14 respondents representing 4% of the total respondents are uncertain of the type of marketing practices carried out by Nigerian Banks.

Result above revealed that 167 respondents representing 42.2% of the total sample size rated the role of marketing in banking sector as less significant, 119 respondents representing 55.2% examine the role of marketing in banking sector as highly significant while 9 respondents assert that marketing has no significant role in the banking sector. Apparently, responding to whether marketing is a competitive tool for Nigerian Banks, 326 of the respondents representing 82.5% of the sample size believes it is, 54 respondents representing 13.7% are of the opposite side and 15 respondents representing 3.8% of the total respondents don't know whether it is or not. The implication of the result above is that Nigerian Banks practice marketing at moderate level, handling of customer complaints is the major marketing practices of Nigerian Banks. Consequently, the role of marketing in banking sector is highly significant and Banks engage in marketing as a way to out perform competition and achieve optimal performance.

5. TEST OF HYPOTHESES

The study tested the research hypotheses using the analysis of variances (ANOVA) to ascertain the extent of marketing practice in Nigerian Banks and determine the role of marketing in banking sector. The test is based on the sample data collected from survey on the selected banks as follows:

5.1 Hypothesis I

Table 2
ANOVA^a

Source	Sum of square	d.f	Mean square	F
Between Treatment	39750	1	39750	535.4
Within Treatment	594	8	74.25	
Total	40344	9	–	

Source: Data Analysis, 2013

F_{tab} = df under level of significance; $F(V_1, V_2)$ under 5%, $F(1, 8)$ under 0.05, standard value = 535.4; Compare $F_{cal} \alpha F_{tab}$ (5.32 α 535.4); 535.4 > 5.37.

Decision Rule

Using the ANOVA test, we therefore reject the null hypothesis since $F_{cal} > F_{tab}$ i.e., 535.4 > 5.59 and accept the alternative hypothesis (H_1) at 0.05 level of significance. The implication of this decision is that marketing practices in Nigerian banking sector is highly significant. Nigerian bank should therefore continue to practice marketing as it is a reliable source to increase sales and generate revenue for the bank.

5.2 Hypothesis II

Table 3
ANOVA^b

Source	Sum of square	d.f	Mean square	F
Between Treatment	69444	1	69444	22.9
Within Treatment	12129	4	3032.25	
Total	81573	5	–	

Source: Data Analysis, 2013

F_{tab} = df under level of significance; $F(V_1, V_2)$ under 5%, $F(1, 4)$ under 0.05, standard value = 22.9; Compare $F_{cal} \alpha F_{tab}$ (7.71 α 22.9); 22.9 > 7.71.

Decision Rule

From the ANOVA test, F-calculate is greater than F table i.e., 22.9 > 7.71. The research therefore rejects the Null hypothesis and accepts the alternative hypothesis at 0.05 level of significance. The implication of this decision is that the role of marketing in banking sector is highly significant. Henceforth, Nigerian banks should increase their marketing effort to survive in face of the present competitive business environment.

6. MAJOR FINDINGS

From the results, we deduced that marketing is moderately practiced by Nigerian Banks giving the views of the respondents. Meanwhile, handling of customers complaints is the most marketing practices of the banks in Nigeria. The implication here is that Nigerian banks practice marketing, they listen to customer

complaints and solve them as well, and this forms their most marketing technique. The study also revealed that the role of marketing in banks is highly significant. This is inline with literatures reviewed on this study. Also, Nigerian banks use marketing as a tool to outperform competition. The implication is that marketing contributes greatly to banks survival and can also be used to overcome competition in today's changing business environment. The ANOVA analysis shows that F calculated is greater than F tabulated. This indicates that marketing practices in Nigerian banking sector is highly significant. Apparently, as revealed by the test F calculated is greater than F tabulated. This also indicates that marketing plays a significant role in the banking sector. The implication of these is that marketing generally is vital to the survival of banks in Nigeria.

CONCLUSION

The study has attempted to examine the extent of marketing practices in Nigerian banks and the role of marketing in the banking sector. The study established a direct and positive relationship between marketing practices and the role of marketing to bank survival in a competitive business environment of today. Findings revealed that marketing practices in Nigerian banks is significant while handling of customers complaints is one major marketing practice strategies of the banks. Also, the role of marketing in banking sector is significant and it is used as a competitive tool in the industry. Having reviewed previous studies in addition to the findings of this study, it then concludes that marketing is pivotal to the performance of banks in Nigeria. Management of Nigerian banks is therefore encouraged to increase their marketing effort as one of the major sources of revenue for the bank.

RECOMMENDATIONS

The Nigerian banking industry should realize the fundamental role of marketing in their business so as to be able to develop effective marketing plans and strategies for the banks. The following recommendations are made to the banks based on the research findings:

1st. The management of the institution should not rely on their present marketing effort as this will enable them to remain in business. The banks should also continue to innovate and provide newer compatible products and services to their serving marketing. This can be achieved through effective marketing research. Notwithstanding, branches of the banks should be empowered to embark on research on their own base on the environment they serve. The banks' information should also be made available at all levels so that interested individuals can assess them. This can lead to new discoveries based on recommendations

that will be made by the general public as a result of the information they have got.

2nd. The bank should train and retrain their employee so that they are aware of the need to continue to satisfy the customers. ICT of the banks should be properly positioned to avoid the continuous system collapse. Meanwhile, more ATM machine be provided to reduced the long queue being experienced by customers. Finally, the banks should consider extending their marketing activities to the rural commercial areas to mobilize rural savings, in that process contributing to the economic development of the area.

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