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Original Research Article

Banks' Marketing Strategies and Deposit Mobilisation: A Study of Selected Commercial Banks in Nigeria

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Abstract

This study examined the effect of banks' marketing strategies on deposit mobilisation of commercial banks in Nigeria. Time series data spanning the period 2005 to 2016, and Ordinary Least Squares (OLS) regression technique was used for the analysis. Deposit mobilised by the selected commercial banks was adopted as the dependent variable while corporate social responsibility, number of complaints resolved, advertisement cost, personnel expenses and branch network represented the independent variables for the model. The empirical result showed that corporate social responsibility, number of complaints resolved, personnel expenses and advertisement costs had a significant effect on deposit mobilisation by banks in Nigeria while branch networks were found to be statistically insignificant. The study, therefore, recommended amongst others, that banks should invest extensively on corporate social responsibility and personnel expenditure and desist from operating non-vibrant branches.

Keywords: Bank marketing, corporate social responsibility, technology, restructuring, competition.

JEL Classification Codes: G21

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I. INTRODUCTION

There is increasing evidence which suggests that today, more than ever before, banks are working in an atmosphere of anxiety and stress (Oke, 2012). A fundamental and dynamic change has emerged in the banking industry. Such structural changes include downsizing, mergers, acquisitions and restructuring, changing products and services and introduction of new technology. The importance of all these and other factors to the survival of the banks necessitated the introduction of different marketing strategies by the different banks (De Nicolo & Gianni, 2003).

Bank services marketing is not much like physical selling of goods and services as it entails the identification of customers, their needs, what motivates them, effort to satisfy their needs, continuous appraisal of competitions and above all, the willingness to improve on services rendered and carry out useful innovations (Brassington & Pettitt, 2000). Little wonder, marketing of financial services has attracted considerable attention in recent times, especially within the context of fundamentals of marketing (Starton, 2001). Due to the aggressive competition in the banking sector, the desire for robust marketing strategies has indeed arisen in banks. This is against the backdrop that the essence of banks' marketing strategies is to meet the needs mentioned above of the customers, mobilise more deposits by banks as well as make profit for the shareholders.

Banks services marketing and allied financial services are very relevant and necessary for the growth of most economies, including Nigeria. Sadly, in the past, banks in Nigeria could hardly be said to be aggressively marketing-oriented. However, in recent times, Nigerian banks have become highly marketing-oriented due to increasing competition, customers' complexity information technology development and education. As a result of these, the mode of banks' marketing has also been changing over the years with the tastes and sophistication of the people and the business community put into consideration. It needs not to be overemphasised that all the banks in the nation are striving for survival as a result of these intense competitions. They compete through the quality of products and services they provide, location, customer loyalty, personnel motivation, social responsibility, exotic buildings and premises, and ownership structure.

Competition has also been intensified through innovation and adoption of modern technological devices like computer, electronic payment system, and debit cards (Akinyele, 2011). Within the context of these competitions, one wonders whether the marketing strategies adopted by the banks have a significant influence on the level of deposit mobilisation in Nigeria. The desire to unravel this puzzle motivated this study.

Statement of the Problem

An efficient marketing strategy has a direct implication on the clientele base of a commercial bank. When the marketing strategy of a bank is deficient, it will reduce the volume of fund available to the bank, thus making it unable to meet its financial obligations, granting of loans and advances and CBN statutory requirements. The availability of fund determines the volume of credit to be extended to the economy. When it is high, it will increase investment and thus employment rate, which eventually leads to economic development.

The current turbulent Nigerian banking environment requires banks to re-examine their practices. Banking is inherently a marketing-oriented profession with long working hours, stiff competition, ethical dilemmas, regulatory bottlenecks and demanding customers.

The question of how banks marketing strategies affect deposit mobilisation, customers' patronage and bank's profitability are a relevant one given the nature of today's banking environment and the challenges faced by Nigerian commercial banks. Hence, the main objective of the study was to investigate the effect of banks' marketing strategies on deposit mobilisation using selected commercial banks in Nigeria. Specifically, the study aimed to: identify the effect of corporate social responsibility expenditures on total deposit mobilised by commercial banks in Nigeria; investigate the effect of the number of complaints resolved on total deposits mobilised by commercial banks in Nigeria; investigate the impact of personnel expenses on total deposits mobilised by commercial banks in Nigeria; examine the impact of advertisement and other forms of publicity on total deposits mobilised by

commercial banks in Nigeria; and evaluate the impact of branch networks on total deposits mobilised by commercial banks in Nigeria.

2. LITERATURE REVIEW

Marketing is the prime tool of the banking sector because it satisfies customers' benefit and deals with both the banker and the customer. Marketing aims to serve and satisfy human needs and wants to make it a strategic factor in the economic structure of any society. This is because according to Ogunsanya (2003), it efficiently distributes resources and therefore impacts on other perspectives of social and economic life. According to Baker (1985), the strength in marketing is primarily the same, but there may be some differences, such as fewer products and services passing through the system.

The marketing concept is a marketing philosophy which holds that an organisation's short- and long-run goals will be best met if it determines the desires of its target markets or customers and makes conscientious efforts to produce services whose characteristics would effectively and efficiently satisfy these target markets better than its competitors.

The marketing concept is about providing customers satisfaction. The underlying fact about this concept is that effective marketing should begin with the existence of customers' needs/wants and then the organisation works backwards to develop appropriate products to satisfy customers' desires (Sirgy, 1996). Financial institutions render financial services, but due to marketing apathy already developed by some banks and the unique characteristics of their services compared to physical products, marketing of such services may

become quite complicated. Accordingly, Okafor (1998) posits that the application or adoption of marketing concept remains a vital marketing problem facing managers in this sector.

To Aigbinemolen (2004), marketing is necessary for banks and other financial institutions, just as it is in the manufacturing organisation. Indeed, for an organisation to ignore “marketing” means losing popularity, confidence, and goodwill among its customers and its share of the market. The era of “armchair” banking has gone with the deregulation of the Nigerian economy in the late 1980s and early 1990s. A marketing orientation has come to change the trend. Bank customers are no more restricted to a few banks of yesteryears, which left them with little or no alternative, but now they have a whole lot of banks to choose from. The message is unambiguous. It is only those banks that identify and anticipate consumers’ real value and needs that will be better placed to satisfy them. Today, this need-satisfaction syndrome is synonymous with success in every business enterprise (Worlu, 2007). Therefore, the marketing of financial services requires a calculated and planned orientation through the application of a philosophy known as the marketing concept, which works through the adoption of effective marketing strategies.

Kotler (1996), defined strategy as “the broad principles by which the business unit expects to accomplish its marketing aims in a chosen market. It consists of basic decisions on marketing expenditure, marketing mix and marketing allocation”. Duro (1999), suggested that the most successful companies are those that take strategic marketing seriously and strive very hard to have a competitive advantage. Marketing strategy ensures that products

and services offered by a company go along with customers’ needs; it also helps in deciding when and where to sell products, promote products and set prices.

Sobowale (1997) posited that strategy could be looked into from another angle, which is the deployment of human and financial resources against competitors in the pursuit of goals and objectives determined by the leaders of business enterprises, organisations, and even nations. The study argued further that marketing strategy embraces decisions that involve the kind of company the organisation wants to be and the sort of competitor the company wants to compete with. Blue (1984) described a marketing strategy as a significant plan or method for achieving major objectives or goals, while a tactic is a plan or method devised to implement the strategy.

The strategy is a specific pattern of decisions and actions that managers take to achieve an organisation’s goals (Charles and Gareth, 1998). It is designed to ensure that the primary objectives of the enterprise are achieved through proper execution by the organisation (Lawrence and William, 1988). In the absence of a good strategy, there will be no rules to guide the search by the company for new opportunities; there will be a high risk of making bad decisions, and there will be lack of control over the overall pattern of resource allocation (Olujide, 2004).

According to Watkins (1995), the two forms of strategies include emergent strategy and deliberate strategy. The concept of emergent is based on the fact that strategy is a system meaning it is the activities and behaviours which develop informally but fall into some consistent pattern while deliberate strategy is based on the notion that strategy is a

process. It is assumed that strategy exists as a result of consciously planned activities.

As cited in Kin (2008), services such as customers' loans, cash management and venture capital loans, financial advising and selling retirement plans, equipment, leasing, security brokerage investment services have been improved upon by banks to enhance the improvement of the Nigerian banking system.

Onwuchuruba (1996) defined marketing strategy as the determination of the essential long-run goals/objectives, and the adoption of courses of action as well as the distribution of resources necessary for achieving the goals and objectives.

For the marketing strategy of an organisation to be successful, it must be premised on the following factors: (i) the character of the economy. (ii) The organisation's competitive size and position in the marketing segment must be known. (iii) Clear identification of the resources available along with the organisation's policies and objectives. (iv) Knowledge of the competitors' marketing strategies. (v) Proper coordination of the tactics into an integrated, complemented and cohesive whole. The marketing strategy is usually formulated and implemented to achieve a sustainable competitive edge in an industry.

However, Baker (1985) posited that to achieve a successful marketing strategy requires a thorough knowledge of the competitive forces at play in the market segment. These forces are: (i) the threat of new entrants; (ii) the threat of substitute financial product; (iii) the bargaining power of suppliers of funds and the users of funds including competing institutions.

With respect to the theoretical underpinning of the study, two prominent theories are considered essential. These are the Research-Based Theory and Marketing Impact Theory.

The Research-Based Theory acknowledges the significance of a firm's internally generated revenue as a determining factor of the firm's strategy and performance. This theory was postulated by Wernerfelt (1984), and further expanded by Grant (1991). Central to this theory is the fact that a firm's material resources are crucial to performance as special attention is placed on the physical skills and organisational resources of the firm. Some of these intangible resources include customer satisfaction and brand equity, and a combination of these leads to firm performance.

Marketing Impact Theory postulates that the need for measuring marketing impact is intensified as firms feel increasing pressure to justify their marketing expenditures. Srivastava et al postulated this theory., (2001), and emphasises that marketing practitioners are under increased pressure to be more accountable for showing how marketing activities link to shareholders value. Thus, marketing activities which include packaging, brand name, the density of the distribution channel, advertising, permanent exhibitions, sponsoring and press bulletins help build goodwill or positions as brand equity and customers' satisfaction. Leveraging on these services leads to short term profitability and shareholder value.

From the above theories, it becomes evident that banks should strategise their marketing activities in order to generate enough funds to defray their marketing expenditure and increase their shareholders' value.

There is a plethora of empirical studies on the effect of marketing strategies on the performance of financial institutions in Nigeria. For example, Nwankwo *et al.*, (2014), examined the consequence of marketing of banks' services on the profitability of Nigerian banks using First Bank Plc as a case study. The investigation covered the period 2000 to 2013 and the unit root test, cointegration test and Ordinary Least Squares (OLS) multiple regression method were employed as the empirical tools. The study adopted loans and overdraft extended to customers, deposit mobilised by the bank from its customers and electronic banking platforms as the proxies for banking services and as the independent variables while profit after tax served as the dependent variable. The findings revealed that there is a positive and significant relationship between loans, overdraft and the profitability of the bank. Also, the study revealed that a positive and insignificant relationship exists between the quality of deposit and profitability, and finally, an insignificant positive relationship exists between E-banking and profitability in First Bank Plc.

Similarly, Selvan (2000), examined the relationship between the marketing of financial services and banks' performance in Malaysia for the period 1990 to 2000. The study employed deposits from customers and loans as measures for financial services while profit after tax served as the dependent variable. The study adopted the Pearson Correlation Matrix and Ordinary Least Squares (OLS) multiple regression techniques as tools of analysis. Findings showed that a positive relationship existed between deposits and profitability; and loans and profitability in Malaysia commercial banks.

Hogarth, Higert, and Kolodiansky (2004) investigated the relationship between customer resolution of credit card problems and exit behaviour of bank customers. The study focused on the percentage resolution threshold and the percentage exit threshold. Findings showed that out of 63 percent of the household with the card problem, only 2/3 of the banks were able to resolve the card problems while over 55 percent of the customer exit the banks if their card problems are not resolved.

Kola and Akinyele (2010), examined the success of marketing communication mix elements in the Nigerian banking sector. The study employed five parameters to measure effectiveness such as providing information, creating awareness, changing attitude, building company image and enforcing brand loyalty. The study adopted the descriptive-analytical approach. Findings showed that these elements were moderately effective in promoting marketing communication.

The empirical review of these works above did not take into consideration variables such as the number of complaints received and corporate social responsibility. The present work, therefore, has bridged the research lacuna created by the previous works in this area.

3. METHODOLOGY

Research Design

The study adopted the *ex-post facto* research design. The *ex-post facto* research design was used to foist a link between the dependent and independent variables relying on already existing secondary data. The beauty of using the *ex-post facto* research design is that the researcher relies on already existing data devoid of manipulation by the researcher (Osuala, 2010). The

empirical investigation of the effect of bank's services marketing strategies on deposit mobilisation was done using some selected commercial banks in Nigeria from 2005-2016.

Sources and Nature of Data

The study made use of secondary data, mostly time series. The data for the study were obtained from various sources such as the Central Bank of Nigeria (CBN) statistical bulletin publication (2017 edition) and annual financial reports of the selected commercial.

Model Specification

The model is anchored on the marketing efficiency theory, which emphasises the twin issues of efficiency and effectiveness in firms' marketing strategies in order to achieve increased performance. Oke (2012) specified a model which captured the effect of the various marketing mix on banks' performance as:

$$PAT = (DM, PX, PD, PM, PL) \dots \dots \dots (1)$$

Where:

DM = deposit mobilization, *PAT* = Profit after Tax, *PX* = Price of Service, *PD* = Product Development, *PM* = Promotional Activities, *PL* = Place and channel of distribution of banking services.

In line with Oke (2012), the model for this study was specified as:

$$DPM = f(CSRE, NOCR, PEX, ADV, BRN) \dots \dots \dots (2)$$

where:

DPM = Total deposits mobilised by the commercial banks (a proxy for deposit mobilisation), *CSRE* = Corporate social responsibility expenditures, *NOCR* = Number of complaints resolved by the commercial banks, *PEX* = Personnel expenditures made by the commercial banks,

ADV = Advertisement and other forms of publicity costs, *BRN* = Branch networks, and, *f* = Functional relationship notation.

Transforming equation (2) into its econometric form, yielded equation 3, which is presented below:

$$DPM = \beta_0 + \beta_1 CSRE + \beta_2 NOCR + \beta_3 PEX + \beta_4 ADV + \beta_5 BRN + \mu \dots \dots (3)$$

Where:

β_0 = Constant (intercept) term

$\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 = Coefficients or parameters of the explanatory variables

μ = Stochastic/error term, and i, t = indices for individual bank and time.

Equation (3) was transformed into its logarithm form in order to bring the variables to a common base, and that resulted in equation 4:

$$\begin{aligned} LOG(DPM)_{it} = & \beta_0 + \beta_1 LOG(CSRE)_{it} + \beta_2 \\ & LOG(NOCR)_{it} + \beta_3 LOG(PEX)_{it} + \beta_4 \\ & LOG(ADV)_{it} + \beta_5 LOG(BRN)_{it} + \\ & \mu_{it} \dots \dots \dots (4) \end{aligned}$$

A priori expectation is that:
 $\beta_1, \beta_2, \beta_3, \beta_4$ and $\beta_5 > 0$

Method of Data Analysis

The study employed panel regression technique to determine the effect of banks' marketing strategies on deposit mobilisation in Nigeria. Panel data regression analysis is a statistical method widely used to analyse data that are collected for multiple periods and over the same individual or entities. Hausman's test was used to select the most appropriate model for the study out of the three forms of panel data analytical techniques: Pooled, Fixed effect and Random effect models. The test confirmed that the pooled Ordinary Least Squares (OLS) method is most appropriate for the study and hence was used for interpreting the result of the study.

4. Estimation results and Discussion of findings

Table 1: Pooled Ordinary Least Squares Result

Variable	Coefficient	Std. Error	t-statistic	Prob.
CSR	0.205924	0.088004	2.339911	0.0269
ADV	1.25E+08	54816885	2.278294	0.0308
NCR	77862.72	6243945	12.47012	0.0000
PEX	37.51174	6.149142	6.100321	0.0000
BRN	-54898809	2.87E+08	-0.190969	0.8500
C	-5.76E+08	4.43E+08	-1.301132	0.2042

Adjusted R-squared = 0.99

F-statistic = 943.27

Prob (F-statistic) = 0.000000

DW-statistic = 2.19

Critical values:

(i) t-statistic, $t_{0.05} = 1.70$

(ii) F-statistic, $F_{0.05}(5, 27) = 2.53$

Source: Analysis output from E-views 9.0

In the pooled Ordinary Least Squares (OLS) regression, all the observations were pooled and estimated ignoring the cross-section and time-series nature of the data set and the heterogeneity or individuality that exists between the banks.

The result of the regression which is presented in Table 1 above showed that there exists a positive relationship between corporate social responsibility, (CSR) and total deposit mobilised by commercial banks in Nigeria. This result conforms with the economic or theoretical expectation because the higher the corporate social responsibility (CSR) investment made by the banks, the higher deposits from the public as a result of the positive image portrayed by the commercial bank. The result suggests that one percent increase in CSR expenditures led to 0.21 percent increase in total deposit mobilised by the commercial banks in Nigeria. The probability value of the coefficient of CSR (0.0269) is less than the test significance

level (i.e. $P < 0.05$). Thus, the study concluded that CSR expenditures had a statistically significant effect on deposit mobilisation by the commercial banks in Nigeria.

The result further showed that there exists a positive relationship between advertisement expenditure (ADV) and total deposit mobilised by commercial banks in Nigeria. This result conforms to *a priori* expectation because as commercial banks increase their advertisement expenditure, they do so intending to increase the total deposit mobilised from their niche. From the result, a percentage increase in advertisement expenditure led to 1.25E+08 percent increase in total deposit mobilised by the commercial banks in Nigeria.

The computed t-statistic of advertisement expenditures (2.28) is greater than the critical (tabulated) t-statistic (1.70) at five percent level of significance. As a confirmation, the probability value of ADV

(0.0308) is less than the test significant level (i.e. $P < 0.05$). Thus, the study concluded that advertisement (ADV) expenditures had a significant effect on deposit mobilisation by the commercial banks in Nigeria.

The result also showed that there exists a positive relationship between the number of complaints resolved (NCR) and total deposit mobilised by commercial banks in Nigeria. This result conforms to theoretical expectation because of the higher the number of complaints resolved by the commercial banks, the higher the confidence of the customers to do business with banks, and hence the higher the total deposits mobilised by these banks. From the result, one percent increase in the number of cases resolved led to 77863 percent increase in total deposit mobilised by the commercial banks in Nigeria. This result is statistically significant at 5 percent level, which suggests that complaint resolution significantly impacts on banks' deposit mobilisation in Nigeria. It is, therefore, no wonder why banks launder much money on image-making.

The result equally indicated that there exists a positive relationship between personnel expenses (PEX) and total deposit mobilised by commercial banks in Nigeria. This result conforms to *a priori* expectation because as commercial banks increase staff emoluments, the staff become more motivated to work, and hence total deposit mobilised by the commercial banks' increases. From the result, one percent increase in personnel expenses led to a 37.5 percent increase in total deposit mobilised by the commercial banks in Nigeria.

The computed t-statistic of advertisement expenditures (6.10) is higher than the critical (tabulated) t-statistic (1.70) at five

percent level of significance. As a confirmation, the probability value of personnel expenses (0.0000) is less than the test significance level (i.e. $P < 0.05$). Thus, the study concluded that personnel expenses (PEX) had a significant effect on deposit mobilisation by the commercial banks in Nigeria.

With respect to the branch network (BRN), the result showed that there exists a negative relationship between branch networks of commercial banks (BRN) and total deposit mobilised. Besides, the result showed that branch networks (BRN) do not have a statistically significant effect on deposit mobilisation by the commercial banks in Nigeria.

The adjusted coefficient of determination (adjusted R-squared) of 0.99 shows that about 99 percent of the variations in total deposit mobilised by the commercial banks in Nigeria was due to changes in corporate social responsibility (CSR), advertisement expenditures (ADV), number of complaints resolved (NCR), personnel expenses (PEX) and branch networks (BRN).

The remaining 1 percent of the variation in total deposit mobilised by the commercial banks in Nigeria is due to other factors not included in the model. This represents a perfect fit. The computed F-statistic (943.27) exceeds the critical (tabulated) F-statistic (2.53) at five percent level of significance. As a confirmation, the probability F-statistic (0.000000) is less than the significant test level (0.05). This is an indication that the model adopted in the study is reliable and appropriate and could be used for sound policymaking. The Durbin-Watson statistic (2.19) lies within the acceptance region as it can be approximated to 2 but is less than 4 (i.e. $2 \leq$

DW < 4). This suggests the absence of autocorrelation in the series.

Findings of the Study

The findings of this study are summarised as follows:

- (i) Corporate social responsibility expenditures have a positive and significant effect on total deposit mobilised by commercial banks in Nigeria.
- (ii) Advertisement expenditures have a positive and significant effect on total deposit mobilised by commercial banks in Nigeria.
- (iii) Number of complaints resolved has a positive and significant effect on total deposit mobilised by commercial banks in Nigeria.
- (iv) Personnel expenses have a positive and significant effect on total deposit mobilised by commercial banks in Nigeria.
- (v) Branch networks have a negative and insignificant effect on total deposit mobilised by commercial banks in Nigeria.

5. CONCLUSION AND RECOMMENDATIONS

The study was carried out to investigate the effect of banks' services marketing strategies on deposit mobilisation using selected commercial banks in Nigeria. To achieve this broad objective, the study adopted corporate social responsibility expenditures, advertisement expenditures, number of complaints resolved, personnel expenses and branch networks of commercial banks as proxies for banks' services marketing strategies. On the other hand, the study adopted total deposit mobilised by the commercial banks as a proxy for deposit mobilisation.

To analyse the data collected from the annual reports and financial statements of the selected banks, the study employed the Panel Data Least Squares methodology. From the empirical analysis, the study found that the result of the pooled model out of the three models (pooled model, fixed-effect model and random-effect model) was preferred judging from the result of the Hausman's test. The results of the pooled model showed that corporate social responsibility (CSR) expenditures, advertisement expenditures, number of complaints resolved and personnel expenses had a positive and significant effect on deposit mobilisation by commercial banks in Nigeria. However, the results showed that branch networks operated by commercial banks in Nigeria had negative and insignificant effect on deposit mobilisation by the commercial banks in Nigeria.

Based on the outcome of the study, the following recommendations were made:

- (i) Commercial banks in Nigeria should invest extensively on corporate social responsibility (CSR). They can do this by spending on education and health infrastructures which will have a direct effect on their customers and will help in increasing the loyalty of the customers.
- (ii) The banks should make more monetary provisions in advertising their products in local dialects. This tends expanding their customer base, thereby increasing the amount of money mobilised by the commercial banks in Nigeria.
- (iii) Commercial banks in Nigeria should necessarily enhance their customer care departments in order to ensure speedy resolution of complaints.
- (iv) Commercial banks in Nigeria should review the salaries and allowances paid

to their staff upward in order to elicit more loyalty and commitment from them.

- (v) The banks should desist from opening and operating non-vibrant branches since the costs of running those branches have grave consequences for their continued existence.

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