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THE MARKETABILITY OF FINANCIAL SERVICES AND THE PERFORMANCE OF NIGERIAN BANKING INDUSTRY

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Abstract

The need for marketability of financial services in Nigerian banking industry cannot be over emphasized because it is a vital arm of any sector. Competition within and outside the shores of the country which brought about globalization and an improvement in customer awareness have made banks to use marketing as an important tool to increase returns, improve on the efficiency of the Nigerian banking system and compete efficiently. This study set out to investigate the marketability of financial services in relation to the performance of Nigerian banking industry with specific focus on deposit money banks. This study took place in Kaduna and within the period of Four (4) months. The method used in testing the hypotheses is the use of Analysis of Variance (Anova). Four commercial banks were selected and about 75% of their staff was interviewed. The hypotheses tested found that there is a significant relationship between the marketability of financial services and performance of Nigerian Banking Industry. We recommend that all commercial bank should be actively involved in marketing and also awareness creation of their various services to their customers.

Keywords: Deposit Money Banks, Commercial Banks, Marketing, Financial Services, product

1. Introduction

As the economy develops and expands around the world, Nigeria is not excluded because there are fresh opportunities as well as threats that will give no chance for any arm chair banker or any banker who is not sound in marketing orientation. But on the other hand, it will favor the advanced banker who is dynamic in his skills, frequently evaluating the internal and external environment, assessing his competitors, evaluating the threats and opportunities to his business and identifying new customers in the sector (Ikpefan, 2013).

Looking at a brief history of marketing in Nigerian banking, the origin shows how economic, political and social environment have influenced the marketing of financial services in Nigeria (Adekunle, 2013). Although conventional banking began in Nigeria in 1891 with the establishment of the African Banking Corporation which later became Bank Of British West Africa, little has been done in marketing because the banks were established mainly to serve the foreigners (that is the British) commercial interests that existed then in the Nigerian colony; so they were not interested in developing new banks or clients. In 1899, Bank of Nigeria another foreign bank was established but was absorbed in 1912 by the Bank of British West

Africa. In 1925, Barclays Bank got into the Nigerian banking system as a result of the merging of the Colonial Bank, the Anglo-Egyptian Bank and the National Bank of South Africa. These banks started operations in localities where the British commercial interests were dominant and did not bother to satisfy the needs of the indigenous Africans because of their foreign commercial interests. This was possible due to the fact that there were no regulations regarding the marketing of banking services then and coupled with the fact that the foreign banks were also not helpful to the Africans. This culminated in the establishment of indigenous banks to serve the Africans specifically Nigeria. Unfortunately, due to a lot of unrealistic objectives, fraudulent practices, poor staffing, poor capitalization and the 1952 Banking Ordinance many of these indigenous banks were liquidated and foreign banks continued their dominance of the Nigerian banking system unchallenged (Lawal, 2014).

Studies have shown that Nigeria has the second largest financial services sector in Sub-Saharan Africa, after South Africa and it is fast growing and expanding internationally (Becker *et al*., 2008). Marketing in years past has played a significant role in the banking system of any country and Nigeria is not an exception. Marketing is the most useful and prime tool for the banking sector and it aims at satisfying customers and bankers since the products of banks have to be marketed in order to tap the potential customers. Due to the level globalization which has turned the world into a global village, the Nigerian banking system is facing tough competition from global banks. In this situation it is a must to have good marketing department and good marketing strategy. In the current scenario, marketing is a very useful tool for the banking sector in attracting customers for their various products. Old days are gone for banking wherein the customer had to walk in to his bank and ask for services. Due to increased competition, it has become imperative for banks to use marketing tool to increase their market share by providing awareness of their products to their prospective customers. Banks have to provide knowledge of their products to their customers and create enlightenment of their products among the prospective customer and for that marketing has become an important tool which connects the customers and products offered by the bank. Banks need to break their shell and design new avenues for reaching their target group. The emergence of new generation banks and other foreign players have also increased the competition amongst banks thus a clear alignment of the needs and wants of the target group and the marketing strategies of banks is the key to revenue generation and also the solution necessary to attain growth and survival (Adekunle, 2013).

Marketing is customer oriented and as such we need to identify our customer's needs and satisfy them. The role of marketing in a bank's existence and growth cannot be overemphasized in today's competitive environment. According to Drucker cited in Mohan and Kotler (2008), marketing is so basic that it cannot be considered a separate function, it is the whole business seen from the point of view of its final result, that is, customer's point of view. The survival of any bank depends upon its ability to acquire resources necessary for its sustenance, and one of the modes of survival is "exchange", whereby a bank creates and offers products and services that are able to attract and satisfy the customers in exchange of its value. This option can be gainfully exercised only if the bank develops the capacity to produce the needed goods and services. The general belief is that the objective of marketing is to maximize the market's consumption of banks products and services. However, it would be desirable to set the goal at maximizing consumer satisfaction rather than consumption only. The bank, in the long run, will benefit from a customer-oriented approach to marketing. Customer oriented approach ensure strong foundation for the institution's existence because the concept of marketing has its origin on the premise that man is a creature of needs and wants and there is constant effort on his side to satisfy his needs. Further, his needs and wants keep changing with time, circumstances and the immediate environment in which he is operating. This forms the background for this study.

Up to 1988 there was the era of 'arm-chair banking' in Nigeria banking. During this period the banks were few and were patronized by the indigenous people who had no option. The big four banks Union Bank of Nigeria (UBN), United Bank of Africa (UBA), Afribank and First Bank of Nigeria (FBN) controlled the market share. The entrance of new generation banks from 1989 changed the tempo and tide of banking; new technologies were introduced by Guaranty Trust Bank (GTB), Zenith Bank, Diamond Bank etc. Banks need to contend with how to satisfy customers in terms of their services now that customers have the power and they are more articulate and informed about what they want to purchase than ever before. The recent re-capitalization of bank's capital base in 2005 has necessitated an urgent need for banks to take marketing of their products very seriously. Producer and service providers in banks not only have to satisfy their customer's requirements, they also have to be sensitive to them. Marketing especially in the conservative area of banking involves providing a coherent and well-thought out strategy as well as tactical flexibility and clarity for a complete all-round company performance.

With the increase of non-performing accounts in the Nigerian banking industry, the profits of banks are getting thinner. For instance, some of the banks such as Afribank, Spring Bank and Bank PHB have been taken over by the Central Bank of Nigeria (CBN) in 2011 because of their poor performance (Ikpefan, 2013). It therefore means that banks need to spend more funds in marketing its products and services and this is worsened by competition amongst banks.

One of the major problems faced by the managers of deposit banks in Nigeria is that of their inability to understand the needs of their target markets through systematic market intelligence. These managers are usually in a haste to attain short term benefits to the detriment of in-depth market research. Marketing strategies are usually not properly selected and applied. All these points to the fact that there is need for proper understanding and application of the concept of marketing by the managers of commercial banks in Nigeria through empirical research.

i. Lack of solid market intelligence about the needs and wants of target markets

ii. Most financial service marketers and managers fall short of marketing research and underestimate the effect of marketing in financial service institution.

The major objective of this study is to analyze the impact of marketing of financial services on the Nigerian deposit money banks and how it is used to attain various stated objectives. The following are the specific objectives:

i. To determine the marketability of financial services and its impact on the performance of Nigerian banking industry.

ii. To ascertain the significant relationship between marketing strategies and profitability of banking industry.

iii. To determine if indeed marketing of financial services boosts the success and efficiency of the Nigerian banking system.

iv. To examine the impact of marketing of financial services on the Nigerian banking system.

v. To examine how marketing of financial services can be used to satisfy their customers at all times.

vi. To investigate how the problems of marketing in Nigerian banks can be improved upon for efficiency.

2. Literature Review

Marketing is also the prime tool of the banking sector because it satisfies customer benefit and deals with both the banker and the customer. It deals with the customer by providing their deep wants and desires and also the banker because it assists in identifying and targeting potential clients. The aim of marketing is to serve and satisfy human needs and wants making it a strategic factor in the economic structure of any society. This is because it efficiently allocates resources and has a great impact on other aspects of economic and social life (Abiodun, 2014). The power of marketing is essentially the same but there may be some qualitative and quantitative differences like fewer products and services moving through the system and various types of services offered (Lawal, 2013). A company's first task is to 'create customers' as identified by Drucker (1999), however customers are faced with several choice of products, prices and suppliers of services and products. It can be a challenging task for a company to create its own customers which are the purchasers of its services or products, but they can make it less difficult and maximize their standards by forming value expectations and acting upon them. According to Okuonghae (2009), the only way to thrive in competition is to partake in strategic marketing, identify customers' needs and also scan the environment. There is also the need for bank operators to articulate policies geared towards customer satisfaction. Financial products are those products offered by banks to its customers. There are six categories of products as stated in Aigbiremolen (2004). They are retail banking products, corporate banking products, foreign operations, corporate financing and electronic banking.

A bank is a financial institution which accepts deposits from customers and invests it, and also borrows it out when required and gains profits in the process. Deryk (1969) defines bank marketing as identifying the most profitable market now and in the future, assessing pre- sent and future needs of the customers, setting business development goals and marketing plans to meet them and managing the various services and promoting them to achieve plans. It shows that bank marketing basically involves carrying out research to know customer's financial capacity, creating products and services based on the research findings to meet customer's financial capability, marketing these services to banks customers

Abiodun, (2014) conducted a study on the changing trend in marketing of financial services (an empirical study on bank performance). The objective of the study was to investigate the extent to which banking sector adopt marketing philosophy, to analyze the effect of the changing trend towards marketing on banks performance amidst new competitive landscape and lastly to establish the new marketing bases upon which banks performance should be assessed. A survey design was conducted with a sample frame of eight (8) banks, 219 questionnaires were distributed and it was discovered that they is a significant relationship between the new trend towards financial service marketing orientation, financial service in the banking industry and performance level and as such, Ailemen and Ochei (2014) conducted a study on the empirical evidence of financial services marketing in the Nigerian banking industry. The objective of the study was to examine the impact of marketing of financial services and products in the Nigerian banking system, to determine if indeed marketing of bank services and products boost the success and efficiency in the Nigerian banking system, to examine how marketing of financial services can be used to satisfy customers at all time and lastly, to investigate how the problem of marketing in Nigerian banks can be improved upon for efficiency. The hypothesis was tested using T-test method. 120 questionnaires were distributed to four selected banks and 101 was retrieved, it was however found that marketing of bank services has improved the efficiency of deposit money banks and this created satisfied customers. It was therefore recommended that all units of the bank should be involved in the marketing of their financial services. It is however not impressive that only four banks were surveyed, this topic can be re-researched upon with more banks covered so as to obtain more reliable findings.

Lawal, (2014) conducted a study on Nigeria Financial organization with the aim of determining the relationship between strategic marketing and performance of financial institution. The study adopted survey research design as methodology. The result of the research reveals that there is significant relationship between marketing of financial services and profitability of commercial banks. It is therefore recommended that banks should remove all form of communication gap between the banks and its customers. However, secondary data could be collected through the use of print media, e-library and journals.

Nwandbeke, (2020) conducted a study in Abakaliki Metropolis of Nigeria to ascertain the effects of price and place of marketing tactics on financial service delivery. The study adopted survey research design and multiple linear regression models as methodology. The study found that price has insignificant effect and place has significant effect on the financial service delivery of commercial banks in Nigeria. The study therefore recommend that commercial banks should adopt appropriate pricing and place marketing tactics that will ensure greater financial service delivery in Nigeria. However, simple random sampling could be adopted for sampling technique.

Adekunle, (2013) conducted a study in Nigeria to assess the impact of financial sector development on the growth of Nigerian economy. Ordinary Least Square regression method was employed. The study reveals that the link between the financial and real sector remains weak and could not propel the needed growth of the national economy. There is therefore the need for consistent, transparent, fair policy and resilient & strong institutional development of the sector. This study however, could adopt the use of questionnaire for collection of primary data.

Lawan, Babatunde, Akeem (2014) conducted a study on the effect of marketing of financial service on organization performance. The research was selected at random amongst the population of the study; primary data was collected using questionnaire and it was distributed to 70 marketing department staffs of first bank plc. The technique used was stratified random sampling. The objective of the study was to identify how effective and efficient first bank are at marketing their services.

However, it was observed that first bank uses its marketing department to prepare market programme instead of top management. The study recommends that the bank should involve the research before launching its new products.

3. Methodology

3.1 Research Design

According to Ojo (2003), research design is a detailed plan of research that guides the researcher in the process of collecting, analyzing and reporting results. It addresses the plan, structure and strategy of investigation conceived so as to do justice to it. The research design adopted for this study is survey research design. This is because it helps to access public opinion using oral interview and sampling method. This research design helped the researcher to collect detailed data in the area of the research.

3.2 Population of Study

The population used in this study covers the personnel of the bank that carry out marketing function in the four commercial banks under review, Guaranty Trust Bank (GTB), United Bank for Africa (UBA), Ecobank Nigeria and Skye Bank. This is done to obtain adequate and diverse views pertaining the level of marketing of financial services and bank performance.

3.3 Data and Sources

This focus on the techniques adopted to collect relevant data that was used for the research work. The method includes personal interview, personal interaction with the individual/executive staff in the selected banks, reading relevant literatures to gather data, browsing the internet to obtain data and observation gotten during field survey. The researcher will use primary data in the study. The primary data will be obtained from personal interview with some officials of the banks used as case study and personal interaction with the individual/executive staff in the selected banks. The personal interview and interaction will be conducted both formally and informally in order get the most relevant and valuable data required for this research exercise.

3.4 Statement of Research Question

Based on the research conducted in this study and as a result of the problems identified, the following research questions have been composed for the purpose of the research work which the study anticipates to provide answers to:

3. What constitutes the marketing techniques in the banking sector?

4. How does marketing strategies improve bank performance in Nigeria?

3.5 Hypotheses

The following hypotheses were tested in the course of the research work;

1. Ho: There is no significant relationship between marketability of financial services and performances of Nigerian banking industry.

H1: There is a significant relationship between marketability of financial services
and performances of Nigeria banking industry.

2. Ho: Marketing strategies does not necessarily enhance banks profitability.

H1: Marketing strategies enhances banks profitability

3.6 Measurement Of Variables

In this study, two main variables were examined. Dependent variables and independent variables. Dependent variables are the key factors that a researcher wants to explain or predict and that are affected by some other factors (Robbins 1998). Independent variables are those factors that influence the dependent variable. "Marketability of financial services" being the independent variable and "performance of banking industry" being the dependent variable.

3.6.1 Methods of Data Analysis

Analysis of Variance (ANOVA) parametric test is used because the sample size was more than 2 as three banks were under consideration and each were seen and observed individually. In the parametric test, the analysis of variance (ANOVA) is a tool used in determining whether the difference in the means is significant enough to support the hypothesis of the study in preference to accepting the sample error or chance that caused the difference in the more than two means obtained by the two groups Owojori, (2002). The formula is stated thus:

F= MSB / MSW

Where F = Anova, MSB = Mean of between group and MSW = Mean of within group.

The ratio of MSB/MSW is the ratio of the variances which results in the test statistics (i.e. F statistics), needed to carry out the test.

4. Result and Discussion

The researcher made attempt to classify the responses of the individuals interviewed or interacted with. All responses were analyzed to prove the validity or otherwise of the Hypothesis and Research Questions. Hence, this study is restricted to a selected sample size. Data was obtained by means of interview and formal interaction with the individual and executive staff of the selected banks to examine the ***Marketability of Financial Service in Nigerian Banking Industry***.

4.1 Analysis of Variance (Anova)

Analysis of Variance (ANOVA) is a tool used in determining whether the difference in the means is significant enough to support the hypothesis of the study in preference to accepting the sample error or chance caused the difference in the more than two means obtained by the two groups. The formula for the one-way ***ANOVA*** is stated below:

F = MSB/MSW

Where F= ANOVA, MSB= means of between group, MSW= means of within group.

The ratio of MSB/MSW is the ratio of variances which results in the test statistics (i.e. F statistics) Decision rule: The decision rule under analysis of variance is that the null hypothesis will be rejected if the calculated value is greater than the critical value.

Hypothesis 1

In other to test for the first hypothesis of this study, the researcher made use of

Analysis of Variance (ANOVA). *The first hypothesis is stated below**:***

Ho: There is no significant relationship between marketability of financial services and performances of Nigerian banking industry.

H1: There is a significant relationship between marketability of financial services and performances of Nigeria banking industry.

Table 1: ANOVA

There is a significant relationship between marketability of financial services and performance of Nigeria banking industry.

	Sum of square	**df**	**Mean square**	**F**	**Sig.**
Between group	21.890	3	7.297	54.105	.000
Within group	12.003	89	.135		
Total	33.892	92			

Source: *Spss 16 Analysis, author's computation February 2023.*

From the result, it is shown that the sums of squares for between Groups and within groups are 21.890 and 12.003 respectively.

The mean square shows a value of 7.297 and .135 respectively however, the F-statistic value which helps to tell about the overall significant of a model and its good fit shows a value of 54.105 This result was greater than the tabulated value of 2.6802, v1 = v2 degree of freedom.

Conclusion:

The result from the significant table shows it was highly significant. **Hence, we reject the null hypothesis (Ho) there is no significant relationship between marketability of financial services and performance of Nigeran Banking Industry and accept the alternative hypothesis (H1) there is a significant relationship between marketability of financial services and performance of Nigerian Banking Industry.**

Therefore, there is a significant relationship between the marketability of financial services and performance of Nigerian Banking Industry.

Hypothesis 2

In other to test for the Second hypothesis of this study, the researcher made use of ***Analysis of Variance (ANOVA).*** *The Second hypothesis is stated below:*

Ho: Marketing strategies does not necessarily enhance banks profitability.

H1: Marketing strategies enhances banks profitability

Table 2: ANOVA

Marketing Strategies Enhances Banks Profitability

	Sum of square	**df**	**Mean square**	**F**	**Sig.**
Between group	16.772	3	5.591	54.105	.000
Within group	7.679	89	.086		
Total	24.452	92			

Source: *Spss 16 Analysis, author's computation February 2023.*

From the result, it is shown that the sums of squares for between Groups and within groups are 16.772 and 7.679 respectively. The mean square shows a value of 5.591 and .086 respectively however, the F-statistic value which helps to tell about the overall significant of a model and its good fit shows a value of 64.792. This result was greater than the tabulated value of 2.6802, v1 = v2 degree of freedom.

Conclusion:

The result from the significant table shows it was highly significant. **Hence, we reject the null hypothesis (Ho) Marketing strategies does not necessarily enhance banks profitability and accept the alternative hypothesis (H1) marketing strategies enhance banks profitability.**

Therefore, marketing strategies enhances banks profitability.

4.2 Summary of Result

The hypotheses tested revealed that **there is a significant relationship between the marketability of financial services and performance of banking industry and that marketing strategies enhances banks profitability**. The implication of the findings of the study was that banks should prepare hard for proper marketing practice and to adopt the best marketing strategies so as to increase bank performance

5. Conclusions and Recommendations

The findings of the research work were summarized and conclusions drawn from investigation. Also, the implications of the findings and recommendation were presented in a concise manner. The chapter was ended with a suggestion for further study.

The research findings are drawn mainly from the inference made from the result of the statistical test and analysis done in the preceding chapter. Having observed the impact of marketing within banks, the researcher set out the following findings of the study that there is a significant relationship between marketability of financial services and performance of Nigerian banking industry performance and marketing strategies enhances banks profitability. The marketing strategy of the bank must match the overall goals of the bank. Bank's marketing strategy is the type of decision made by bank executives concerning the relationship between bank marketing management practice and its growth and profitability. In annual reports of companies, it will be obvious that the profitability of the bank can take care of its liabilities and enhance growth due to the partly effort of marketing. That marketability of financial services in Nigerian banking industry has contributed greatly to the growth of the banks. Even in the annual reports of banks, the growth of the bank with efficient marketing strategies cannot be compared with other banks with less efficient marketing strategies. The shareholders' funds have grown. That marketing has a great impact on the profitability of the banks. Marketing among others has a positive effect on the increase in banks profit. The marketing concept, as a guide to business policies and operations, helps companies (Banks) in providing much needed customer satisfaction. It is believed that by doing so, banks can easily achieve their growth and profitability. These finding thus gives meaning to the major proportion of the study that there is a positive relationship between marketing, growth and profitability in banks. Hence, any bank which uses marketing that has been systematically developed, implemented and evaluated tends to perform better than those who do not. However, incorporated ineffective marketing strategies will negatively affect the performance and profitability of the banking industries. This is because; a particular choice of marketing strategy may not be adequate to achieve the objective of the bank.

It is therefore concluded that; there is a significant positive relationship between the marketability of financial services and performance of Nigerian Banking Industry. There is also agreement that effective marketing strategies enhance profitability in Nigerian banking industry.

In consideration of our current business environment along with the present marketing structure and culture in Nigerian banks, it is therefore recommends that marketing sections should be empowered and equipped with human and material resources.

Additionally, commercial banks should engage in maximum awareness creation and remove also, the communication gap that currently exists between the banks and their customers. This awareness and Information can be provided through brochures, pamphlets, circular, adverts etc.

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