ELECTRONIC MARKETING AND THE PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT
The paper examined electronic marketing and the performance of deposit money banks in Nigeria. The objective of the paper was to determine the impact of e-marketing on bank performance in Nigeria. The secondary data used for the study was obtained from the Central Bank of Nigeria statistical bulletin and annual reports of banks financial statements covering the period 2000 to 2017. Electronic marketing was represented with internet banking services, automated teller machine and point of sale transactions, while bank performance was represented by returns on assets (ROA) of banks. The Autoregressive Distributed Lag (ARDL) model was used to analyze data. The findings of the study revealed that there is a long run relationship between internet banking, ATM transactions, point of sale services and return on assets of banks. Therefore, it was concluded that e-marketing have significant positive impact on the performance of deposit money banks in Nigeria. It was recommended that monetary authorities and bank managements should initiate policies that will further encourages the usage of electronic marketing in the banking industry. This may come by way of reduction in charges associated with e-marketing which tends to inhibit or restrict the extent customers/members of the public use e-marketing services.

Keywords: E-Marketing, Automated Banking, E-banking, Fiscal Policies, Assets.

1. INTRODUCTION

E-marketing in Nigeria enables deposit money banks in Nigeria to advertise their products and offer services to customers through the Internet. E-marketing products and services are methods used by Nigerian banks to carry out their operations without physical contact with their customers. In Nigeria, electronic technologies emerged in the early 1990’s with banking sector leaders like First Bank PLC, First City Monument Bank, United Bank for Africa, Union Bank rolling out the “zib zeb” machines. These worked by placing the debit or credit card on a metal surface with two slips of paper separated by a carbon sheet and the merchant user would move the handle back and forth so that the credit card number would imprint on the slip and the transaction would be later delivered to the bank for clearance. Then came the Automated Teller Machine (ATM) which had the capability to dispense cash after an account holder inserted a card and verified the transaction using a Personal Identification Number (PIN). The ATM was developed further and was eventually able to process enquired balances, accept deposits, perform utility bill payments and transfer funds between accounts.
Credit card was one of the few remarkable innovations introduced successfully by commercial banks like Sterling Bank, Fidelity, Heritage Bank, Keystone Bank, Stanbic IBTC bank etc. The credit card is still an expensive means of payment for e-commerce and many on-line shoppers would prefer other payment forms for their purchase. Competitors in the industry also responded by making huge capital investment in technology and seeking strategic partnerships like in the case of Access Bank and Diamond Complementary mobile service providers like MTN and Glo also responded by launching money transfer, savings and bill payment products through their Eco-cash, One-Wallet and Tele-cash products respectively. Despite all these developments it has remained unclear how e-marketing strategies were used to convince customers to adopt new banking technologies. Also, the impact of e-marketing on the performance of banking sector in Nigeria still remains a subject of debate.

The banking sub-sector of the finance industry in Nigeria has been the main driver of growth and development in the industry. This can be buttressed with the impressive performances of the sub-sector within the sector and on the Stock Exchange market. Banks focus on acceptance of deposits and settlements of financial commitments. The electronic banking operations concentrates on the payment aspect of banking activities, and therefore, most technology innovations are to support payment activities. In recent times, electronic payment innovations have brought about several electronic payment channels and subsequent establishments of financial technology companies. According to Nigerian Inter-Bank Settlement System report, the widely used e-payment technologies in the country are Automatic Teller Machine (ATM), Point of Sale (POS) Technology, Mobile Money Transfer (MMT) Technology and Online Money Payment (WEB) Technology. Shares of these electronic payment technologies have increased continuously since inception and high rate of adoption for settlement of payments have exposed customers to more risks such as internet fraudsters and incomplete transactions, among others.

2. REVIEW OF RELATED LITERATURES

According to Czerniawska and Potter (2000), one of the benefits acquired in the implementation of e-marketing in commercial banks was increased revenue. This was because there was attraction of more customers and retention of old ones. There was also improved customer satisfaction since products and services were readily available, cost reduction because of reduced wage bill, reduced space requirements and hence reduced rent or lease payments. Other benefits they explained included increased efficiency since automation enabled organizations to do more with less input, increased level of output and employee satisfaction and motivation since less work was involved. There was a larger market share through attraction of new customers and customer loyalty was gained.

The emergence of e-commerce was influenced by its potential to create business value and by awareness of its participants of the potential benefits (Magutu et al., 2009). The major reason for most companies, irrespective of size, to participate in business was to extract some benefit from it and e-commerce was no different. The benefits of e-commerce identified from the current literature were classified in two main categories tangible and intangible. The tangible benefits were those that were directly accrued to the organization and contributed directly to increase in revenue and profit whereas intangible benefits were those that did not directly contribute to increase in revenue but gave goodwill and customer loyalty to the organization. They included, enhancing well-being and education of customers. By providing information to customers online, they were able to learn more about the organization and carry out their transactions effectively and efficiently at reduced time and cost (Lee 2001).

There was improved customer loyalty, when quality services and products were provided. Customers made repeated purchases and related well with the organization (Lee 2001). Intangible
benefits gave organizations competitive advantage in that the organizations that used automated business processes were able to provide products and services at reduced prices than their competitors. This enabled them to beat their competitors and close out new entrants (Straub, 2000). E-marketing offered convenient shopping to customers and customers were enabled by e-marketing to carry out their transaction at any place in the world and at any time of the day that was convenient to their unique lifestyle.

To extract benefits from e-marketing, it was important for businesses to overcome the e-commerce inhibitors and challenges. E-marketing enabled accessibility of markets that had been otherwise inaccessible without automation. For example, customers who wished to carry out transaction at night were taken care of by the use of ATMs. This process led to transformation of traditional market chain (Fraser et al. 2000) as well as retained and expanded customer base and acquisition of a niche market. The introduction of e-commerce enabled banks to serve customers who were in places where they did not have ATMs and electronic transfers. When people were replaced by machines in an organization, the amount of salary paid out was reduced (Grover and Ramanlal, 2000).

Hoffman and Bateson (2001) stated that e-marketing also enabled the organization to achieve customer satisfaction which led to repeat purchases that led to loyal customers (retention) which in turn led to enhanced brand equity and higher profits. The provision of high quality services was an important tool for creating and fostering good and long lasting customer relations. Furthermore, Zairi (2000) found that satisfied customers possibly shared their experiences with five or six people while dissatisfied clients might inform another ten. Highly satisfied customers produced several benefits to the company. They were less price sensitive and they talked favourably to others about the company and its products and remained loyal a longer period that are high customer retention levels. Keegan (2002) stated that the principle of customer retention was to concentrate on loyalty and not just on satisfaction. Gummerson (2002) also argued that the principle of customer retention commanded the company to build intimate relationships with the customers, intimate enough to learn about the customer’s needs and wants and close enough to understand customer’s expectations in order to be able to provide quality. It makes more sense in today’s business environment to make sure the organisation retain current customers before spending money on attracting new ones.

Customer service encompassed all points of contact between a supplier and a buyer and included tangibles as well as intangible elements (Christopher et al, 1991). Customer service was the service provided in support of a company’s core products (Zeithaml and Bitner 2003). They went on to say that quality customer service was essential to build customer relationships. Adrian Payne (2001) suggested that there was a link between customer service and quality and it was concluded that customer service initiatives were closely related to quality initiatives. This was so because quality must be determined from the customer base on regular research and monitoring. Customers maintained long term relations with an organization where they were constantly provided with high quality services and satisfactory value for money and time (Zeithaml and Bitner, 2003). Kotler (2003) suggested that customers pay for the service provided and not customer service thus an organization needs to provide good value to customers. Lovelock and Wirtz (2005) defined customer value as the worth of a specific action relative to an individual’s needs at a particular time, less costs involved in obtaining those benefits. Customers demanded value for their money and if not provided customers turned their backs to business thus organizations must be concerned with providing good value to customers. Firms created value by offering services that customers required. Satisfied customers not only tend to return to buy but also talked about the service to others. Word of mouth referral was realized to be the most effective form of promotion. It costs nothing and carried a lot of credibility as it was based on personal experience. E-marketing challenges identified from the literature were classified as technological,
managerial, and business related. Technological challenges were related to the acquisition, installation and maintenance of the necessary hardware and software. These challenges were security and Web site issues (Koved et al. 2001). The organizations data faced threats from hackers and data loss occasioned by things like viruses. This proved costly to the organization for instance in their prevention (Czerniawska and Potter, 1998).

Technology issues included costs, software and infrastructure, an e-commerce system required great expenditure in monetary terms. Others were managerial challenges and included people and organizational issues. The people in the organization, resisted adoption of the new technology as they feared that, it would lead to loss of jobs. They were reluctant to adopt new methods as they feared change. Another thing was that, there was need to restructure the organization and this was a challenge on its own (Hoffman et al. 1999; Feeny 2000). There was need for obtaining senior management backing, which was a major activity in any organization. If the management did not support the e-commerce project, it meant that the project lacked the necessary resources and was thus bound to fail (Feeny 2000). Business challenges included customer service where the bank lost the personalized service that it offered its customers. When this was lost, customer loyalty was reduced (Whinston et al. 1997, Lee 2001). The other challenge was the customers’ old habits. Customers remained stuck with their old habits and were not ready to adopt change. They lacked trust for the new technology and hence the e-marketing system was under-utilized (Schwartz, 1999).

3. MATERIALS AND METHOD

The research adopted the quasi-experimental research design. The secondary data for the study was obtained from the Central Bank of Nigeria statistical bulletin and annual report of banks financial statements spanning the period 2000 to 2017. The Autoregressive Distributed Lag (ARDL) approach to cointegration analysis was employed to analyze the data. The dependent variable was proxied by return on asset (ROA) while, the exogenous variables were proxied by internet banking, point of sale and automated teller machine transactions.

3.1 Model Specification

Functional form of the model.

\[ \text{roa} = f(\text{pos, atm, intb}) \]  \hspace{1cm} (1)

the above functional model was transposed into an econometric form thus:

\[ \text{roa} = \alpha + \beta_1\text{pos} + \beta_2\text{atm} + \beta_3\text{intb} + \sigma_t \]  \hspace{1cm} (2)

where;

\text{roa} = \text{return on assets of banks}

\text{pos} = \text{point of sale}

\text{atm} = \text{automated teller machine}

\text{intb} = \text{internet banking}

\beta_1 - \beta_3 = \text{the coefficients to be estimated}

\sigma = \text{the error term}
4. RESULTS

4.1 Unit Root tests

The stationarity of our data is necessary for further analysis, hence the need for unit root test results shown below.

<table>
<thead>
<tr>
<th>Variables</th>
<th>t-statistic</th>
<th>1%</th>
<th>5%</th>
<th>10%</th>
<th>Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>-6.602150</td>
<td>-2.737856</td>
<td>-2.541878</td>
<td>-2.635542</td>
<td>1(1)</td>
</tr>
<tr>
<td>ATM</td>
<td>-4.159551</td>
<td>-3.746751</td>
<td>-4.065169</td>
<td>-2.666593</td>
<td>1(1)</td>
</tr>
<tr>
<td>POS</td>
<td>-3.055088</td>
<td>-3.630350</td>
<td>-3.325585</td>
<td>-2.673459</td>
<td>1(0)</td>
</tr>
<tr>
<td>INTB</td>
<td>-6.573325</td>
<td>-3.326751</td>
<td>-3.642169</td>
<td>-2.666593</td>
<td>1(1)</td>
</tr>
</tbody>
</table>

Source: e-views 9.0

The result above shows that all the variables were stationary at level 1(0) and at first differencing (1). Thus, the justification for the use of ARDL.

4.2 Variables Verifications (Ordinary Least Square Regression Analysis)

The least squared method was applied to test for the short relationship between the variables in the model. The results are as shown in the table below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>108841.6</td>
<td>114815.4</td>
<td>0.947970</td>
<td>0.3592</td>
</tr>
<tr>
<td>ATM</td>
<td>1.968182</td>
<td>0.422604</td>
<td>4.65273</td>
<td>0.0004</td>
</tr>
<tr>
<td>INTB</td>
<td>-0.382801</td>
<td>0.534556</td>
<td>-0.716109</td>
<td>0.4857</td>
</tr>
<tr>
<td>POS</td>
<td>-1.446059</td>
<td>0.308397</td>
<td>-4.688599</td>
<td>0.0003</td>
</tr>
</tbody>
</table>

The result of the $R^2$ adjusted indicated that 57.5% variations in return on total asset of banks in Nigeria are caused by point of sale, automated teller machine and internet banking while 43.5% is caused by other variables captured by the error term in the model. The figure of F-statistics probability (0.001664) also shows that the model for analysis is absolutely significant. The Durbin –Watson statistic (1.709922) indicated the absence of autocorrelation between the variables. Additional, internet banking was observed to have negative relationship and insignificant impact on return on assets which implies that 1% increase in internet banking causes a reduction in ROA by 0.38. Point of sales transactions had negative and significant effect on return on asset. Only ATM transactions had positive and significant effect on return on total assets. This further implies that for every 1% increase in ATM services, ROA is expected to grow by 1.9 units.
4.3 ARDL Bound Test

ARDL Bounds Test
Date: 03/11/19 Time: 13:36
Sample: 2002 2017
 Included observations: 16
 Null Hypothesis: No long-run relationships exist

<table>
<thead>
<tr>
<th>Test Statistic</th>
<th>Value</th>
<th>k</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-statistic</td>
<td>7.671320</td>
<td>3</td>
</tr>
</tbody>
</table>

Critical Value Bounds

<table>
<thead>
<tr>
<th>Significance</th>
<th>I0 Bound</th>
<th>I1 Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>2.72</td>
<td>3.77</td>
</tr>
<tr>
<td>5%</td>
<td>3.23</td>
<td>4.35</td>
</tr>
<tr>
<td>2.5%</td>
<td>3.69</td>
<td>4.89</td>
</tr>
<tr>
<td>1%</td>
<td>4.29</td>
<td>5.61</td>
</tr>
</tbody>
</table>

Source: e-views 9.0

The value of the F-statistic (7.671320) is greater than the I(0) and I(1) critical value bounds of 3.23 and 4.35 at 5% level of significance. Therefore, the null hypothesis of no long run relationship is rejected and concluded that there exist long run relationship between electronic marketing and the performance of deposit money banks in Nigeria.

5. DISCUSSION

The study explored electronic marketing and performance of deposit money banks in Nigeria. The data for the study was obtained from secondary sources and variables included were internet banking services, point of sale transactions, automated teller machine transactions and return on assets of banks. The analysis was done using the ARDL statistical technique. Unit root estimations carried out on the data showed that the variables were stationary at level I(0) and first differencing I(1).

The Ordinary Least Square estimation for short run analysis revealed that only automated teller machine transactions had positive and significant effect on the performance of deposit banks in Nigeria. Internet banking services showed negative and insignificant relationship on bank performance, which could be attributed to low patronage resulting from the activities of online or internet fraudsters. Similarly, point of sale transactions had negative but significant effect on return on assets of deposit money banks in Nigeria. However, the global statistic judging from the f-statistic showed that all the e-marketing variables jointly have significant impact on deposit money bank performance in Nigeria.

The Autoregressive Distributed Lag (ARDL) approach to cointegration analysis showed that there is a long run relationship between automated teller machine transactions, internet banking services, point of sale transactions and return on assets of banks within the period under study. This was ascertained by the ARDL bound test where the F-statistic is greater than the lower I(0) and upper I(1) bounds at 5% level of significance. Thus, from the foregoing it can be deduced that electronic marketing has significant positive impact on the performance of deposit money banks in Nigeria.
6. CONCLUSION AND RECOMMENDATIONS

The study examined e-marketing and the performance of deposit money banks in Nigeria between 2000 to 2017. The ARDL result showed that there is a long run relationship between automated teller machine transactions, point of sale and internet banking services and return on assets of banks. Thus, it can be inferred that e-marketing has significant and positive impact on the performance of deposit money banks in Nigeria. Based on the findings of the study, the following recommendations were made:

a) Monetary authorities and bank management should come up with policies that will further encourage the use of e-marketing in the banking industry. Like, policies geared towards the reduction in the amount of charges payable by users of e-marketing in the industry.

b) Banks management should periodically review its policies on those components of e-marketing that tends to have insignificant impact on the performance of deposit money banks in Nigeria.

c) Point of sale supply within the banking system should be curtailed to avoid excessive expenses.

d) Network challenges inherent in the banking system should be seriously looked into and addressed by bank management.

e) Management of banks should ensure that less customer’s time is spent in the banking hall rectifying incomplete transactions as a result of numerous point of sales machine domiciled in the banking halls.

REFERENCES


