

RELATIONSHIP BETWEEN MARKETING OF FINANCIAL
SERVICES AND BANK PERFORMANCE IN MALAYSIA :
AN EMPIRICAL STUDY (1996-1998)

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Relationship Between Marketing of Financial Services
and Bank Performance in Malaysia :
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BY

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ABSTRAK

Di zaman moden ini, pemasaran menjadi tulang belakang ke atas kejayaan aktiviti sesuatu pemiagaan. Kajian ini bertujuan untuk menyiasat dan mengkaji perhubungan di antara aktiviti pemasaran dengan prestasi bank. Kajian ini menggunakan 30 sampel bank perdagangan di Malaysia, yang meliputi tiga tahun dari 1996 hingga 1998. Di samping itu, dapatan kajian ini disokong dengan enam temuduga yang dikendalikan bersama eksekutif pemasaran bank. Dalam kajian ini, peranan aktiviti pemasaran dikaitkan dengan prestasi bank dari aspek deposit dari pelanggan, pinjaman kepada pelanggan dan pendapatan selepas cukai. Dalam menganalisis perhubungan ini, dua analisis statistik iaitu Pearson Correlation Matriks dan Simple Linear Regression telah digunakan. Dapatan kajian ini menunjukkan kewujudan perhubungan positif diantara usaha pemasaran dengan prestasi bank. Kajian ini mencadangkan supaya bahagian pemasaran dalam setiap bank harus mengenalpasti dan menganalisis kesan aktiviti pemasaran dan menggunakan faktor-faktor yang significant bagi meningkatkan kelebihan persaingan melalui inovasi kewangan dan pemasaran. Akhir sekali, sesebuah bank boleh memperolehi perkhidmatan pemasaran dari pihak luar dengan penubuhan 'Financial Services Marketing Agency' melalui sumber-sumber bank yang dikumpul.

ABSTRACT

In modern times, marketing is the backbone of any successful business activity. The present case study seeks to investigate and explore the nexus between marketing efforts and bank performance. The study is based on a sample of 30 commercial banks in Malaysia covering a three year period 1996 to 1998. In addition to empirical analysis, the findings are supported with six interview discussions conducted with bank executives. In this study, the role of marketing activities is related to bank performance in terms of deposits from customers, loans and profits after taxation, In tracing the relationship with deposits, loans and profits, the Pearson's Correlation Matrix and Simple Linear Regression were used. Our results show a positive correlation between marketing efforts and bank performance. The study suggests that marketing department of each bank should identify and analyse the impact of marketing efforts of their business and deal with the significant factors towards financial and marketing innovation for improving its competitive advantage. For outsourcing there is a wide scope for establishment of a special 'Financial Services Marketing Agency' through pooled bank resources.

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LIST OF ABBREVIATIONS

MC	Marketing Cost
D	Deposits from customers
L	Loans and advances
PAT	Profits after taxation
BNM	Bank Negara Malaysia
t	Time

CHAPTER ONE

INTRODUCTORY

1.1 Background: The Problem Statement

Marketing plays a crucial role in the business activities of all kinds of organisations, whether manufacturing companies producing real goods or to banking firms offering financial services. The technique and methods of marketing activities may differ form industry to industry but the basic issues and challenges remain the same. Interestingly enough, the genesis of marketing is traced by Baker (1993; 5), as follows:

" the essence of marketing is mutually satisfying exchange relationships. If this is, in fact, the case , then the practice of marketing can be traced back to the first exchange in which two people discovered that by giving one thing and receiving another in its place one improve one's overall standard of living".

A formalised marketing activity in financial institutions such as commercial banks is concerned with several aspects. Major ones include analysis, planning

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