RELATIONSHIP BETWEEN MARKETING OF FINANCIAL SERVICES AND BANK PERFORMANCE IN JORDAN

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By

IBRAHIM ALI KURDI

(806055)

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ABSTRACT

In recent times, marketing has evolved to become the backbone of any successful business activity. This study therefore seeks to investigate the nexus between marketing cost and bank performance. The study is based on a sample of 8 out of 13 commercial banks in Jordan covering a five-year period from 2006 to 2010. The selected banks were identified based on the data availability. In this study, the role of marketing activities is related to bank performance in terms of deposits from customer, loans, profit after taxes, return on assets and return on equity. Data collected were analyzed using the Pearson Correlation Matrix and Simple Linear Regression. The results show a significant positive relationship exists between marketing cost and Jordanian bank performance based on deposits from customer, loans and profits after taxation and a negative relation exists between marketing cost and bank performance in light of return on assets. The findings further reveal that there is no significant link between marketing cost and return on equity in Jordanian banks. Growing marketing cost in improving bank performance is also evidenced and supported in the study, although the marketing role is not the single factor that determines bank performance.

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LIST OF ABBREVIATIONS

MC	: Marketing Cost
D	: Deposits
L	: Loans
PAT	: Profit after Taxation
ROA	: Return on Assets
ROE	: Return on Equity

CHAPTER ONE
INTRODUCTION

1.1 Introduction

The marketing of financial services and banks performance like those of other countries is premised on the acceptance of deposits, lending, effect domestic and foreign payments and provide property management and trustee services among other wide range of financial services (Firpo and Consulting, 2005).

The marketing of financial services is a unique and highly specialized branch of marketing. The practice of advertising, promoting, and selling financial products and services is in many ways far more complex than the selling of consumer packaged goods, automobiles, electronics, or other forms of goods or services (Brenkert, 2010).

The environment in which financial services are marketed is becoming more competitive, making the task of marketing financial services increasingly challenging and specialized. Financial services marketers are challenged every day by the unique characteristics of the products they market. There are many predictable behaviors that consumers often exhibit in their dealings with financial services providers. The predictability of these behaviors and the abundance of data on existing and potential customers enable a uniquely scientific approach to developing and executing successful strategies for the marketing of financial services, much more so than in other markets (Lovelock, 2008).

The factors that contributed to the increased interest in marketing banking can be viewed from two sides. The first is external and is in relative decline in income due to increased competition among banks between each other and to other financial institutions. The second is an internal awareness of the need for banks to for the two

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