



Relationship between Sales Promotion and Growth of Deposits in National Bank of Kenya, Nairobi County

Elijah M. Kilonzi^{1*}, Dr. Simon Rukangu² and Gatobu Mugwika³

^{1*} Department of Business Management, Meru University of Science & Technology, Meru, Kenya

² School of Education, Meru University of Science & Technology, Meru, Kenya

³ Department of Business Management, Meru University of Science & Technology, Meru, Kenya

Abstract:

National Bank of Kenya has been using sales promotion to mobilize short-term deposits, but the effects of the tool have never been analyzed through a systematic approach. Based on Attention-Interest-Desire-Action (AIDA) model, the study used non-experimental design and employed descriptive survey of correlation in nature to establish relationship between sales promotion and deposits growth in the bank. The study targeted 259 employees of the bank in branches within Nairobi County, from which a sample size of 155 employees was selected. The indicators for deposits growth were new accounts, customer transactions, customer traffic and deposits volume, while the indicators for sales promotion were Dabolisha and Chomoka Na Mili campaigns. Primary data was collected using self administered questionnaires and was analyzed using Multiple Regression analysis model. The results revealed that the two campaigns were joint predictors of deposits growth { $R = .863$; $R^2 = .745$; $F(3, 119) = 116.037$; $Sig. = .000$ }. The correlation between sales promotion and deposits growth was high and positive ($R = .863$) and the study therefore concluded that sales promotion and deposits growth were positively related.

Keywords: Chomoka Na Mili, Dabolisha, Deposits, National Bank of Kenya, Sales Promotion.

Introduction

Competition in the banking sector has become intense as a result of increased accessibility to financial services and the challenges associated with differentiation of services in general. Players in the sector have therefore been devising both short and long-term strategies to drive deposits and loans growth in order to thrive in such a competitive business environment. Sales promotion is one of the short term strategies frequently employed in the sector for short term sales growth (Deshmukh, 2012) as evidenced by numerous ads in different media platforms.

Deposits fluctuations in particular are a common phenomenon in the sector, and sales promotion has frequently been used to remedy such fluctuations.

Deposits are the main source of funds to banks alongside capital funds and borrowings (Shollapur & Baligatti, 2010). Total deposits therefore have the greatest impact on the lending behavior of banks (Olokoyo, 2011). The more the deposits the more banks can lend, which translates to more revenue and better profits in most cases as much of bank's revenue comes from interest income from loans (Obamuyi, 2013).

Given the constant fluctuations in deposits and the thresholds set by regulatory bodies, and the vital role played by deposits in the overall performance, most banks sometimes resort to overnight interbank lending to cushion any shortfalls to ensure smooth operations. However, overnight interbank lending rates are generally forcing banks to opt for short term incentives. The incentives are meant to entice customers to open accounts, increase number of their transactions, increase traffic in banking halls and ultimately lead to growth in deposits (Kilonzi *et al.*, 2015a).

Sales promotion has previously been covered by different scholars but there has been no common viewpoint on its effectiveness [6]. As inferred by (Alam and Faruqi, 2009) in their study on Effect of Sales Promotion on Consumer Brand Preference in sales of detergents, sales promotion only creates brand familiarity and does not create brand conviction, hence no significant influence on purchase decision. This concurs with findings of Aworemi *et al.*, (2008) in their study in the transport industry where insignificant relationship between sales promotion and total sales was observed. It further supports the assertion of (Chakraborty *et al.*, (2013) that sales promotion may have negative effects on consumers' internal price reference and perceived product quality which lead to poor performance of product.

On the contrary, most studies inferred positive relationship between sales promotion and consumer behavioral intentions. In a study by Daramola *et al.*, (2014) positive reactions to products were found to be evoked by sales promotion. On the same note other scholars also inferred positive relationship between sales promotion and consumer purchase intentions (Awunyo-Victor *et al.*, 2013; Chaharsough, 2011; Roux, 2014; Thakur, 2015). This as well supports positive relationship inferred in different studies (Amusat *et al.*, 2013; Ifeanyi-Obi *et al.*, 2008; Manuera *et al.*, 2012). Therefore, sales promotion cannot authoritatively be said to have either significant or insignificant effects on sales. This calls for systematic evaluation of sales promotion programs on case to case basis regardless of the sector.

Sales promotion has been studied in the banking sector as well, but the available literature is limited and inconclusive. Some studies only identify it as one of the Marketing Communications tools used in banking, without analyzing its effectiveness (Deshmukh, 2012) Others went a step further and analyzed the involvement levels of commercial banks in using different promotional tool (Ekankumo, *et al.*, 2011; Manisha, 2012; Mittal & Pachauri, 2013) but still did not analyze the effectiveness of the tools. Nevertheless, the studies which analyzed the effectiveness of the

tool were contradictory, as both significant and insignificant effects were inferred. According to (Sadeh, 2012) sales promotion has more persuasive power on financial services customers than any other promotional tools. Study by Samina & Alam (2011) on the contrary observes that no promotional tool, including sales promotion, has influence on growth of deposits and loans in banks. The contradicting observations highlighted above could be due to differences in localities as suggested by (Chaharsoughi, 2011). The paper will therefore analyze the effectiveness of the tool in the context of National Bank of Kenya where no similar study has been carried out.

Problem Statement

Effectiveness of sales promotion has not been widely covered in banking sector, though banks have continually been using the tool. Further the effects of the tool in the sector cannot authoritatively be deemed as either positive or negative based on the above discussion. Despite the fact that there is no guarantee for sales promotion campaign to succeed, National Bank has been using the tool but the overall effects of the tool has never been systematically evaluated. Although the bank's deposits grew by 75% between 2013 and June 2014 (NBK, 2013; 2014) the growth may not necessarily be attributed to sales promotion programs as other promotional tools were still used, in addition to other factors like rebranding which might have also had a stake. There was need therefore for a systematic evaluation of the performance of sales promotion to establish its relationship with deposits growth, which was addressed in this paper.

Materials and Methods

The study was carried out in Nairobi County and it involved a sample of 155 employees from a total population of 259 employees of National Bank in its branches within Nairobi County. The sample size was determined using the Fisher's sample size formulae in Equation 1 below and the sample elements were selected using simple random sampling technique.

Fisher's Sample Size formulae: ,

Research Design

The study was a quantitative research and it used non-experimental design and employed descriptive survey of correlation in nature to explain changes in deposits as a result of sales promotion campaigns (*Dabolisha* and *Chomoka Na Mili*), as well as draw the necessary inferences on the effects of the tool. Data was collected using self-administered survey method to cut down on data collection costs and ensure non- interference with respondents' working schedule given the demanding nature of their job. A 5-level Likert scale, where 5 was the most favorable and 1 the most unfavorable response, was used to solicit information from respondents on their opinion on the movement of deposits during the sales promotion campaigns.

Both descriptive and inferential statistics were used. Descriptive statistics were used to explain the overall movement in new accounts, customer traffic, transaction and deposit volume during the sales promotion campaign period. The data analysis techniques for descriptive purposes were

frequencies and mean. Inferential statistics, mainly multiple regression analysis was on the other hand used to establish the relationship between sales promotion campaigns and deposits growth, as well as establish the statistical significance of sales promotion in predicting deposits growth.

Variables

The independent variable for the study was sales promotion whose indicators were the *Dabolisha* and the *Chomoka Na Mili* campaigns. The *Dabolisha* campaign targeted bank customers while the *Chomoka Na Mili* campaign targeted bank employees, both sales staff and non-sales staff. Two sets of questions were therefore asked to determine the effects of the *Chomoka Na Mili* campaign, with one set focusing on the sales staff and the other one on non-sales staff. The dependent variable on the other hand was deposits growth, whose indicators were growth in accounts, customer transactions, customer traffic and deposits volume. This is summarized in the figure below:

Research Instruments

Primary data was collected using self-administered questionnaires to the bank employees. The self administered questionnaires were deemed suitable for the study as they gave employees freedom to fill them at their convenience, given their busy schedules and the fact that their free time could sometimes clash with the researcher's free time. They also enabled collection of data from a fairly large number of respondents within a limited time frame at minimal cost.

The questionnaire was designed to collect data on the respondents' opinion in relation to changes in accounts, transactions, traffic and deposits volume as a result of the *Dabolisha* and the *Chomoka Na Mili* campaigns. The reliability of the instrument was assessed using Cronbach Alpha with aid of SPSS software and the results in Table 1:

Table 1: Cronbach Reliability Statistic

Cronbach's Alpha	N of Items
.764	14

From the table the Cronbach coefficient was 0.764. This was above the Nunnally's recommended minimum of 0.7 (Hafiz & Shaari, 2013), and the questionnaire was as such deemed reliable. The validity was on the other hand determined based on the researcher's and supervisors' judgment, in line with the assertion that the validity of a measure is assessed by use of expert in a particular field (Mugenda & Mugenda, 1999).

Results

To determine the direction of movement of accounts, customer transactions, customer traffic and deposits volume as a result of the *Dabolisha* campaigns opinion of respondents was sought using a 5-level Likert Scale and the results were summarized in the table below:

Table 2: Changes in Deposits as a Result of sweepstake

Statement	Mean	Overall Mean
Customer opened more accounts during the <i>Dabolisha</i> campaign	3.67	3.71
Customer transactions increased during the <i>Dabolisha</i> campaign	3.72	
Customer traffic increased during the <i>Dabolisha</i> campaign	3.71	
Deposits grew during the <i>Dabolisha</i> campaign	3.73	

From the results the mean response for positive statements relating to growth in accounts, customer traffic, customer transactions and deposits volume as a result of *Dabolisha* campaign were 3.67, 3.72, 3.71 and 3.73 respectively. As such they were all above the neutral level (3), an indication of support for the positive statements relating to all the indicators. This was further confirmed by an overall mean of 3.71 for all variables relating to the campaign. It was therefore deduced that the campaign had influence on growth of deposits.

To determine the direction of deposit's movement as a result of involving sales staff during the *Chomoka Na Mili* campaign, opinion of respondents on positive statements relating to different indicators of deposits growth was sought using a 5-level Likert Scale and the results were summarized in the table below:

Table 3: Changes in Deposits due to Involvement of Sales Staff during the *Chomoka Na Mili* Campaign

Statement	Mean	Overall Mean
Sales staff opened more accounts during the <i>Chomoka Na Mili</i> campaign.	3.85	3.86
Customer transactions increased during the <i>Chomoka Na Mili</i> due to involvement of sales staff.	3.79	
Customer traffic increased in banking halls during the <i>Chomoka Na Mili</i> campaign due to involvement of sales staff.	3.86	
Deposit volumes increased during the <i>Chomoka Na Mili</i> campaign due to involvement of sales staff.	3.94	

From the table the mean response for the positive statements relating to growth in new accounts, customer transactions, customer traffic and deposits volume were 3.85, 3.79, 3.86 and 3.94

respectively. All the mean values were above the neutral level (3) implying that involvement of sales staff during the *Chomoka Na Mili* campaign had positive effects on all indicators of deposits growth. This was further confirmed by an overall mean of 3.86. It was as such deduced that the involvement of sales staff had influence on growth of deposits.

Further, opinion of respondents on the movement of the various indicators as a result of involving non-sales staff during the *Chomoka Na Mili* campaign was sought using a 5-level Likert scale and the following results were obtained:

Table 4: Changes in Deposits due to Involvement of Non-Sales Staff during the *Chomoka Na Mili* Campaign

Statement	Mean	Overall Mean
Non-sales staff opened more accounts during the <i>Chomoka Na Mili</i> campaign	2.67	2.48
Customer transactions increased during the <i>Chomoka Na Mili</i> due to involvement of non-sales staff.	2.40	
Customer traffic increased in banking halls during the <i>Chomoka Na Mili</i> campaign due to involvement of non-sales staff.	2.36	
Deposit volumes increased during the <i>Chomoka Na Mili</i> campaign due to involvement of non-sales staff.	2.50	

From the table the mean responses for the positive statements relating to growth in accounts, customer transactions, customer traffic and deposit volume as a result of involving non-sales staff in the *Chomoka Na Mili* were 2.67, 2.40, 2.36 and 2.50 respectively. They were all below the neutral level (3), an indication that involvement of non-sales staff during the *Chomoka Na Mili* campaign had no influence on growth in accounts, customer transactions, customer traffic and deposit volume. This was further confirmed by an overall mean of 2.48 in relation to all variables relating to involvement of non-sales staff during the campaign. It was therefore deduced that involvement of non-sales staff generally had no influence on growth of deposits.

It was therefore generalized that the effects of the *Dabolisha* campaign were favourable as denoted by an overall mean of 3.71. On the other hand the *Chomoka Na Mili* had both favourable and unfavourable effects depending on the targeted group of employees as denoted by mean values of 3.86 and 2.48 when targeted at sales staff and non-sales staff respectively. It was therefore necessary to establish the overall relationship between sales promotion and deposits growth as the mean values obtained were not adequate to explain the relationship.

To establish the nature of relationship between sales promotion in general and growth in deposits multiple regression test was ran at 95% confidence level using SPSS software. The regression statistics were summarized in Table 5 below:

Table 5: Regression Model Statistics Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 ^a	.745	.739	.28623

Table 6: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	28.519	3	9.506	116.037	.000 ^b
	Residual	9.749	119	.082		
	Total	38.268	122			

a. Dependent Variable: Growth

b. Predictors: Constant, Sweepstakes, Sales Staff Contests, Non-Sales Staff Contest

a. Predictors: Constant, Sweepstakes, Other Sales Promotion Techniques

The results revealed strong correlation between sales promotion and deposits ($R=.863$). The coefficient of determination of .745 as denoted by R^2 indicated that 74.5% of the variance in deposits growth in the bank could jointly be explained by the *Dabolisha* and the *Chomoka Na Mili* campaigns.

From the regression statistics summary in table 5, ANOVA results in Table 6 were also obtained. This was necessary in determining the statistical significance of the regression model in explaining growth in deposit.

At 3,119 degrees of freedom, the critical value of F-distribution at 95% confidence level was 2.76, which was less than the computed F-statistics (116.037), an indication that the model was a good fit for data. The significance value of less than .005 (sig. = 000) implied that sales promotion was statistically significant in predicting growth in deposits. The study therefore deduced that sales promotion led to growth in deposits in National Bank and the growth was statistically significant. It therefore concluded that sales promotion and growth in deposits were positively related.

Discussions

The study found positive relationship between sales promotion and growth in deposits. As such the sales promotion programs employed by National Bank had positive effects on purchase intentions of the bank's customers. This therefore confirms the assertion that sales promotion evokes positive consumer response to products (Daramola et al., 2014), a position also held by other scholars (Awunyo-Victor et al., 2013; Chaharsough, 2011; Roux 2014; Thakur, 2015). The findings were further agreeable with the findings of similar studies where positive relationship between sales promotion and sales was inferred in other sectors like manufacturing (Amusat at

al., 2013), fast moving consumer goods (Ifeanyi-Obi et al., 2008; Thakur, 2015), detergent manufacturing (Awunyo-Victor et al., 2013), automobile industry (Chaharsough, 2011) as well as the general consumer views across different sectors (Roux, 2014).

The findings were however contrary to the findings of some studies in other sectors. Alam & Faruqi, (2009) in their study on detergents inferred that sales promotion only creates brand familiarity and does not create brand conviction. However, as per the current study sales promotion created conviction as the tool triggered growth in deposits by influencing consumers buying intentions. Similarly, the findings of the current study contradict the findings of Aworemi et al., (2008) where insignificant relationship between sales promotion and sales volume was found in transport industry. The current findings further contradicts findings of Chakraborty et al., (2013) whose study on the general effect of sales promotion on consumer purchase behaviour concluded that sales promotion could have negative effects on consumers' internal price reference and perceived product quality. On the contrary, the growth in deposits inferred in the current study demonstrated that consumers' perception about price and quality was not negatively affected by sales promotion. The difference in observation could however be due to the products considered as the studies considered different products.

Similarly, the findings of the current study both agreed and disagreed with some related studies in the banking industry. The usage of the tools by one of the players in the industry is a confirmation its usage in the industry in line with the findings of (Deshmukh, 2012) where it was identified as one of the tools used in the sector. On the effects of the tool the findings are agreeable with those of (Sadeh et al., 2012) where the tool was found to have persuasive power to financial services customers, an implication of positive effects. The findings however disagreed with those of Samina & Alam (2011) where no promotional tool had influence on growth of deposits and loans in banks. Their findings meant that sales promotion, among other tools had no influence on deposits growth which is contrary to the findings of this study. The differences in observations could however be due to factors like specific techniques employed and products employed as inferred by Montaner & Pina (2008).

Conclusion

The correlation between sales promotion and deposits growth was high ($R=.863$), and was statistically significant ($\text{sig}=.000$). The study therefore concluded that sales promotion had positive relationship with deposits growth in National Bank. Further, the study does not qualify or disqualify the assertion that there is no common viewpoint on the effects of sales promotion on sales (Mesaros et al., 2013), but rather proposes for sales promotion studies focusing on the specific techniques of sales promotion employed as the differing effects could be due to such as suggested by Kilonzi et al., (2015b). The study recommends for similar studies in other counties in Kenya as the current study only focused on one county and cannot therefore be generalized for the entire bank. Similarly, studies can be carried out in other banks, both in Kenya and other countries for knowledge growth in the area.

REFERENCES

Alam MS and Faruqui MF (2009) Effect of Sales Promotion on Consumer Brand Preference: A Case Study of Laundry Detergent in Dhaka City Consumers. *ASA University Review*, 3(2): 1-7.

Amusat WA, Adejumo DA and Ajiboye FA (2013) Sales Promotion as an Antecedent of Sales Volume: A Study of Selected Manufacturing Industry in Ibadan, South Western, Nigeria. *Interdisciplinary Journal of Contemporary Research in Business*, 4(11): 465-474.

Aworemi JR, Oyedokun JA, Ajagbe FA and Wojuade CA (2008) Impact of Advertising, Sales Promotion, Publicity and Public Relations on the Performance of Niger State Transport Authority. *Pakistan Journal of Social Sciences*, 5(2): 182-186

Awunyo-Victor D, Ayimey EK and Gayibor RA (2013) Does Sales Promotion Influence Buyer Behaviour? A Study of PZ Cussons Limited. *British Journal of Economics, Management & Trade*, 3(2):142-152.

Chaharsoughi SA (2011) The Effect of Sales Promotion on Consumer Interest to Purchase in IKCO Automotive Company. *Journal of Knowledge Management, Economics and Information Technology*, 1(4): 1-5.

Chakraborty RK, Hossain M, Azad FH and Islam J (2013) Analysing the Effects of Sales Promotion and Advertising on Consumer's Purchase Behaviour. *World Journal of Social Sciences*, 3(4): 183-194.

Daramola GC, Okafor LI and Bello MA (2014) Sales Promotion on Consumer Purchasing Behaviour. *International Journal of Business and Marketing Management*, 2(1): 8-13.

Deshmukh PM (2012) Promotion Mix Banking Services. *International Indexed & Referred Research Journal*, 4(36): 8-9.

Ekankumo B and Henry KB (2011) Sales Promotion Strategies of Financial Institutions in Bayelsa State. *Asian Journal of Business Management*, 3(3): 203-209.

Hafiz B and Shaari JAN (2013) Confirmatory Factor Analysis (CFA) of First Order Factor Measurement Model-ICT Empowerment in Nigeria. *International Journal of Business Management and Administration*, 2(5), 081-088.

Ifeanyi-Obi CC, Lemchi J and Isife BI (2008) Effect of Sales Promotion on the Volume of Sales of Agro-Product (ROYCO). *Journal of Agriculture and Social Research (JASR)*, 8(2): 119-124.

Kilonzi EM, Rukangu S and Mugwika G (2015) Effects of Sales Contest on Growth of Deposits in National Bank Branches within Nairobi County of Kenya. *International Journal of Management Research and Review*, 5(10): 864-875.

Kilonzi, EM, Rukangu S and Mugwika G (2015) Effects of Sweepstakes on Growth of Deposits in National Bank Branches within Nairobi County of Kenya. *Journal of Humanities and Social Sciences (IOSR-JHSS)*, 20(10): 1-6.

Manisha K. (2012) Marketing Communication Strategies of Public and Private Sector Banks - A Comparative Analysis. *IJCEM International Journal of Computational Engineering & Management*, 15(6):16-22.

Manuere F, Gwangwava E and Gutu K (2012) Sales Promotion as a Critical Component of a Small Business Marketing Strategy. *Interdisciplinary Journal of Contemporary Research in Business*, 4(6):1157-1169.

Mittal S and Pachauri KK.(2013) A Comparative Analysis of Promotional Tools & Techniques Adopted For Retail Banking In Public Sector and Private Sector Banks. *Journal of Business Management & Social Sciences Research (JBM&SSR)*, 2(2): 83-88.

Montaner T and Pina J (2008) The Effect of Promotion Type and Benefit Congruency on Brand Image. *The Journal of Applied Business Research*, 24(3):15-28.

Mugenda O M and Mugenda AG (1999) *Research Methods, Quantitative & Qualitative Approaches*. Nairobi: Acts Press.

National Bank of Kenya (2013). *Annual Report and Financial Statements for the Year Ended December 31, 2013*.

National Bank of Kenya (2014). *Annual Report and Financial Statements for the Year Ended December 31, 2014*.

Obamuyi TM (2013) An Analysis of the Deposits and Lending Behaviours of Banks in Nigeria. *International Journal of Engineering and Management Science*, 1(2): 46-54.

Olokoyo FO (2011) Determinants of Commercial Banks' Lending Behavior in Nigeria. *International Journal of Financial Research*, 2(2); 61-72.

Roux AT (2014) South African Consumers' Views and Responses to Sales Promotions. *Journal of Social Sciences*, 41(2), 243-251.

Sadeh F, Birjandi RH and Miremandi A (2012) Survey on the Effectiveness of Promotional and Communication Strategies Adopted by Financial Services. *African Journal of Business Management*, 6(44):10925-10937.

Samina QS and Alam R (2011) Promotional Activity Involvement of Commercial Banks: A Comparative Analysis among Three Generation Banks in Bangladesh. *International Review of Business Research Papers*, 7(5):35-52.

Shollapur MR and Baligatti YG (2010) Funds Management in Banks: A Cost-Benefit Perspective. *International Business & Economics Research Journal*, 9(1): 21-30.

Thakur S, Singh AP and Bhati CS (2015) Impact of Sales Promotion Activity on Consumer Buying Behavior: A Study with Special Reference to Fast Moving Consumable Goods of Selected Company. *Asia Pacific Journal of Marketing & Management Review*, 4(1): 47-55.