Marketing Strategy for Financial Institutions in Nepal

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Abstract

The Nepalese financial sector has undergone significant changes after the government's financial sector reform programme. The reform programmes brought various changes yet bank and financial institutions (BFIs) lacks appropriate strategies in marketing financial services. However, the recent developments in financial sector and changing dynamics of consumer behaviour towards financial services have underscored the need of strategic orientation in discovering customer need, institutional promotional initiatives, customer satisfaction, employee motivation and customer data management practices. In this context, this study attempted to explore the marketing strategies of bank and financial institutions (BFIs) in selling/providing financial services to the customers using principal component analysis with varimax rotation adopting exploratory research design. To fulfil the purpose of the study, data were collected from 304 sales personnel of the bank and financial institutions (BFIs) using structured questionnaires. The study has identified 20 factors from the related literature. Through exploratory factor analysis, five most influential factors have been discovered and are instrumental in formulating the marketing strategies for bank and financial institutions (BFIs).

INTRODUCTION AND STUDY OBJECTIVES

The financial sector plays crucial role in economic development of various economy including developed, developing, in transition, or emerging (Moosa, 2023). In developing economy, financial sector fosters economic development by facilitating borrowing, equity trading, mobilisation of saving in the needful sector. In order to promote the development of financial sector, reform programme has been initiated in different developing countries, to enhance banking sector supervision,

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regulation, privatisation, competition and financial innovation (Shaikh et al., 2017). Nepalese financial sector has experienced changes after initiation of financial sector reforms in mid 1980s by then government and with the introduction of comprehensive financial sector reform programme by Nepal Rastra Bank in 2001 (Shrestha, 2021). After the reform programme, the participation from the private sector in banking industry significantly increased and the number of BFIs increased up to 220 in 2012. However, the enactment of the 2011 Merger Bylaw by the Nepal Rastra Bank (NRB), which underwent subsequent amendments in 2012, has resulted in the consolidation and acquisition of bank and financial institutions (BFIs) in Nepal (Karki, 2022). The changing competitive landscape of BFIs further makes the marketing of financial services challenging and further raise the intensity of competition.

In a competitive and dynamic environment, bank and financial institutions (BFIs) are focusing on providing the need based financial instruments and advisory services, to stay relevant with the dynamic customer needs and changing financial retail business (Covert & Ortiz Millan, 2018). Discovering the customer financial needs is crucial for maintaining competitiveness in the dynamic market (Bhatt, 2021). Sensing and adopting changing customer needs by introducing new services based on continuous monitoring offer competitive advantage.

Apart from understanding dynamic customer needs in competitive marketplace, informing customer about financial services is vital to gain competitive advantage. In emerging market, the demand for financial services are rapidly increasing thus institutional promotional initiatives play a crucial role in informing customers about financial services (Aman et al., 2023). The institutional promotional approaches ranging from traditional form of advertising, personal selling to wide range of promotional and informational activities like advocacy services, workshop, seminar, training facilities, and support services provided to entrepreneurs by various financial institutions and agencies. Fox et al. (2004) claimed that internationalisation of banking sector and the realisation of effective marketing management in the financial services industry have further emphasised the need for bank and financial institutions to engage in promotional activities to cater to diverse customer needs.

Furthermore, customer satisfaction should be central focus of bank and financial institution strategic orientation and satisfaction is influenced by various factors like service encounter, service quality, marketing mix, and promotional programmes. In financial sector like service section tangibles, reliability, assurance, and promotional activities are instrumental in enhancing customer satisfaction (Unvan & Albadareen, 2023; Rahmah et al., 2023). Khanal et al. (2023) states that financial technology firms support financial institutions in the area like service compatibility, ease of use, and technology perception.

Employees are the face of the service organisations and directly affect the quality of service provided. As a face of the organisation their perceptions of service quality performance are influenced by factors like organisational knowledge, service concept, service competence, and job satisfaction, which relate to skills, motivations, supervision, education and training and development (Othman et al., 2022).

Nepalese Bank and Financial Institutions (BFIs) confront with fundamental challenges of specifying appropriate marketing approaches and strategies in services development and delivery. In addition, increasing competition have pushed bank and financial institutions (BFIs) for innovation in products and services development and delivery. Furthermore, the increasing level of competition among the financial institutions to provide better customer experience, government initiatives of increasing access to financial services, rise of digital media and BFIs effort in integrating AI (artificial intelligence) for better service delivery has shift the marketing strategic orientation of bank and financial institutions (BFIs) (Han et al., 2023; Kumar & Gupta, 2023; Adiguzel et al., 2023). Amidst the ever-changing business landscape, a structured approach is imperative to account for all the factors that can influence the bank and financial institutions' (BFIs) marketing strategies. This study intends to examine the marketing strategies employed by bank and financial institutions (BFIs) to reinforce the sales of financial product/ services to the retail segment by

focusing their alignment with bank and financial institutions' (BFIs) strategies on identifying and meeting evolving customer needs through innovation, institutional promotional initiatives in enhancing customer satisfaction, customer data management practices, employee motivation strategies in driving service excellence and customer satisfaction.

LITERATURE REVIEW

The widespread adoption of formal financial services has primarily been propelled by the expansion of services in the banking and insurance sectors throughout the nation following the implementation of the new federal structure (IFC, 2023). Additionally, the increased accessibility of digital financial services has gained traction due to the rising prevalence of mobile and internet usage. Following the deregulation of the financial sector in Nepal, financial service institutions have been compelled to reformulate their business approaches, and strategically develop marketing plan for financial instruments. .

Identification and understanding customer need are important for financial institutions as it enable them to customise the service based on the requirement. Eckstein et al. (2020) found out that Identification of customer needs is crucial in formulating marketing strategies for Banking and Financial Institutions (BFIs) because it allows for tailored service offerings, improved customer satisfaction, and additional sales opportunities. Furthermore, Sapic

(n.d.) added that actively listening and questioning techniques play a vital role in determining and verifying customer needs, emphasising the importance of effective communication in meeting customer expectations. In addition, Sofi and Hakim (2018) stressed the importance of customer prospecting and personalisation to gain access of customer network, and using referral from existing customers. Halimi et al. (2011) found out personalisation of services based on customer needs enhance the customer retention.

The promotion of financial services is important for spreading awareness and enhancing competitive positioning and overall success of the institutions. The rise of digital marketing and introduction of 'customer-experience strategy' altered the paradigm of marketing strategies. The development of information communication technology has given the avenue of digital medium and expanded the realm of possibilities, however providing financial services to the ultimate customers still call for a personalised approach (Balaceanu, 2011). Financial inclusion programmes, understanding whether customer use conventional or modern tools in regard to their media consumption habit is also important in using the right promotional tools and approach to inform customer about financial services. Bank and financial institutions (BFIs) use different promotional strategies to promote the financial services including the use of conventional means of communication, integrating internet technologies in service innovation and promotion (Maity & Sahu, 2022) to involving in financial inclusion efforts by regulatory bodies to promote personal financial education.

Employee motivation enhances customer satisfaction in bank and financial institutions (BFIs) like other various industries. Motivated employees tend to provide better service quality, leading to increased customer satisfaction levels. Strategies such as innovative promotions, involvement, and fringe benefits have been highlighted as effective motivational factors that can positively impact customer satisfaction in Bank and financial institutions (BFIs) (Makhamreh et al., 2022). Intrinsic and extrinsic motivation factors play a vital role in driving employee motivation in bank and financial institutions, with intrinsic factors like the fulfilling nature of work and skill development being particularly important for service providers (Kreye, 2016). Omilani and Akintolu (2017) argued that recognising the individual needs of employees, and empowering workers through decision-making opportunities and skill development are crucial aspects of maintaining high motivation levels within organisations. Bank and financial institutions (BFIs) need to assess the effectiveness of their sales managers and periodically conduct diverse training programmes. It is important to emphasise on motivating sales professionals to enhance their performance leading to better customer services.

Customer Data Management practices in Banking and Financial Institutions (BFIs) are crucial for enhancing customer

relationships and operational efficiency. The poor data management has serious consequences and operational challenges in mitigating the privacy and piracy concerns. The implementation of customer data management systems in financial institutions includes considerations of data quality, governance, stewardship, and access management (Sharmila & Jamunarani, 2018).

Financial institutions in Nepal, including banks, insurance companies, micro finance and cooperatives, are still grappling with essential questions concerning marketing strategies. These questions pertain to the factors influencing the promotion of financial services that financial institutions offer and are associated with identifying and managing customer needs, implementing effective promotion programmes, motivating employees, and ensuring customer satisfaction. Identifying customer need is vital to be competitive and ineffective customer data management has several consequences such include excessive risk exposure, the suppression of innovation, or unhealthy competition leading to poor industry structure (World Economic Forum, 2018). For identification of customer needs and data management employee motivation are critical and connected with customer satisfaction (Ahmad et al., 2012). Based on the previous literature, this study used 20 factors from five different variables as (Sharma & Shrivastava, 2021) argued they were employed in the development of financial products and services' marketing plan

RESEARCH METHODS

The target population for the study consisted of marketing personnel associated with banks and financial institutions, occupying various positions. This study included customer service executive, marketing managers, sales representatives and relationship managers in particular. Due to the lack of available data regarding the exact number of marketing personnel within banks and financial institutions, a sample size of 346 respondents was selected for the study using convenience sampling techniques. Convenience sampling is common due to practical constraints of exact sampling frame as quantitative approach has used, which typically aims for statistical representativeness of a population (Mylonakis, 2008)

Exploratory factor analysis was conducted in this research utilising primary data. A custom-designed Likert-type questionnaire adopted from Sharma and Shrivastava (2021) explored the marketing strategies of bank and financial institutions. The characteristics of the respondents are presented in Table 1. In data collection the printed questionnaires form was distributed to marketing personnel of different bank and financial institutions within Kathmandu Valley and Google form was used to collect the response from the respondents outside Kathmandu valley.

To uncover the essential factors necessary for the development of a marketing strategy aimed at retail customers, this study employed principal

component analysis with varimax rotation. Han and Zhang (2023) states that Varimax rotation generally utilise exploratory factor analysis that enhance the interpretability of factors by making them sparse and easier to understand.

DATA ANALYSIS AND DISCUSSION

The demographic profile of the respondents has been presented in table no 1. In total there were 304 respondents, out of them 133 from commercial banks,

66 from development banks and 105 from insurance companies working in different level of marketing department and marketing functions of the respective organisations.

Kaiser and Rice (1974) proposed Kaiser-Meyer-Olkin (KMO) test for conducting factor analysis to determine if the data is appropriate for the analysis and suggested that KMO>0.8 indicates adequate sampling. KMO statistics vary from 0 to 1. Table no 2 shows that the KMO measure's value

Table 1
Respondents Profile

Demographic Characteristics		Numbers	Percent
BFIs	Commercial Bank	133	43.8
	Development Bank	66	21.7
	Insurance Company	105	34.5
Education	Bachelors	48	15.8
	Masters	218	71.7
	M Phil and above	38	12.5
Hierarchy	Assistant Level	117	38.5
	Officer Level	105	34.5
	Mid-Level/Senior Level	71	23.4
	Regional/State Level	11	3.6
Experience	1-5 Years	113	37.2
	6-10 Years	124	40.8
	11-15 Years	57	18.8
	More than 15 Years	10	3.3
Age	20 - 29 Years	104	34.2
	30 - 39 Years	156	51.3
	40 -49 Years	41	13.5
	50 - 59 Years	3	1

Note. Demographic profile of respondents

Table 2
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.801
Bartlett's Test of Sphericity	Approx. Chi-Square	2104.208
	df	190
	Sig.	< 0.001

Note. Based on author's calculation

Table 3
Anti-image Correlation Matrix

Factors	Correlation Value	Factors	Correlation Value
ICN1	.684a	SC2	0.822a
ICN2	.690a	SC3	0.761a
ICN3	.696a	SC4	0.832a
ICN4	.673a	ME1	0.875a
IPI1	.777a	ME2	0.830a
IPI2	.866a	ME3	0.793a
IPI3	.783a	ME4	0.822a
IPI4	.793a	MCD1	0.814a
IPI5	.836a	MCD2	0.810a
SC1	.783a	MCD3	0.879a

Note. 'a' is anti-image correlation value

is 0.801, which is greater than 0.6 and the result of the Bartlett's test of sphericity were significant (p < 0.001, p = 0.000) with a chi-square value of 2104.208 at 190 degrees of freedom. Considering the facts, the data is fit to run factor analysis.

Table no 3 demonstrates the adequacy of each variables by calculating the anti-image correlation. Table 3 presents the anti-image correlation values for all variables, which shows that each variable exhibits sample adequacy as all the anti-image value are > 0.5.

Table no 4 displays the communality values, which indicates the proportion of each variable's variation explained by the underlying factors collectively. A communality value ranges from 0 to 1 and higher communality value suggest greater amount of variance accounted for by the factors. In order to enhance factor measurement, communalities should be 0.4 or higher (Sharma, & Shrivastava, 2021). All the variables consider under the analysis exhibit communalities more than 0.4.

Table 5 presents the eigenvalues of the factors and total variance. The

Table 4
Communalities of the factors

Factors	Initial	Extraction	Factors	Initial	Extraction
ICN1	1.000	0.583	SC2	1.000	0.471
ICN2	1.000	0.509	SC3	1.000	0.654
ICN3	1.000	0.576	SC4	1.000	0.481
ICN4	1.000	0.645	ME1	1.000	0.647
IPI1	1.000	0.668	ME2	1.000	0.571
IPI2	1.000	0.490	ME3	1.000	0.718
IPI3	1.000	0.624	ME4	1.000	0.682
IPI4	1.000	0.615	MCD1	1.000	0.658
IPI5	1.000	0.541	MCD2	1.000	0.753
SC1	1.000	0.639	MCD3	1.000	0.617

Note. Based on authors' calculation

eigenvalues in the table showcase the significance of each factors in explaining the variables considered under the study. For the analysis, factor with eigenvalues larger than or equal to 1 has been retained. The table shows the overall variance explained by the factors considered under the study, i.e., five factors associated with marketing of financial services. The factors under the study account for a total variance 60.716%.

Figure 1 display the scree-plot demonstrating the extracted factor. The clear elbow shape in scree-plot suggests that there is presence of influential factors. There is initial elbow

Table 5
Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.221	26.105	26.105	5.221	26.105	26.105	2.780	13.900	13.900
2	2.453	12.266	38.371	2.453	12.266	38.371	2.587	12.935	26.834
3	1.772	8.861	47.232	1.772	8.861	47.232	2.286	11.431	38.265
4	1.543	7.713	54.945	1.543	7.713	54.945	2.262	11.308	49.573
5	1.154	5.771	60.716	1.154	5.771	60.716	2.229	11.143	60.716

Note. Authors' calculation, Extraction method - principal component analysis
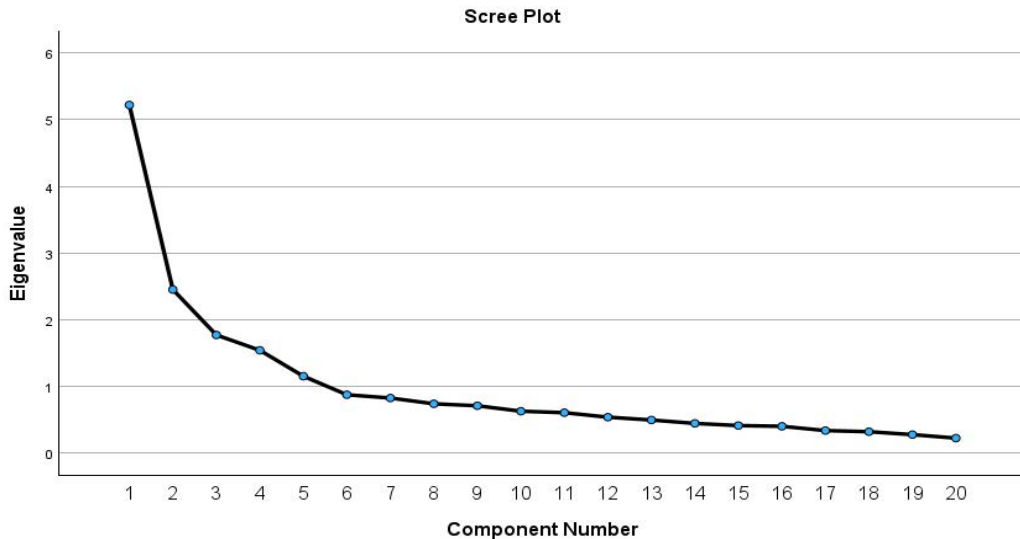
Figure 1. *Scree-plot of the Extracted Factors*

at 2 and based on scree-plot 5 factors were extracted and had a significant impact.

Table no 6 presents the factors under the study or extracted factors, along with the variables connected with them, total variance described by each factors, loading of factors and reliability of each individual factors. Costello, & Osborne (2005) suggest that the factor loading > 0.5 are desirable and indicates a solid factor in exploratory factor analysis (EFA). In the analysis all the factor loading are greater than 0.6, thus indicates there are solid factor under study. To measure the reliability of each factor considered under the study, alpha coefficient has been calculated and all the alpha coefficients are > 0.7 indicating sufficient measure of reliability (Taber, 2018).

From the above analysis, five new variables that can be utilised and helpful in creating marketing strategies for financial products and services have been found using the application of factor analysis. Need discovery of customers should be prioritised by banks and financial institutions (BFIs) as it offers a competitive advantage by deliberately delivering information in designing and offering customised financial products. Additionally, if aligned with customer data management, it helps in prospecting new customers and cross-selling opportunities for the institutions. Institutional promotional initiatives to inform customers about financial services must be aligned with need discovery and the development of new financial services. As the findings show, customer satisfaction strategy is vital for institutional success, and employee motivation can be instrumental for customer satisfaction. The database of customer information regarding financial service consumption,

Table 6
Identification of Factors

Factor Name	Variables/Statement	Factor Loading	Reliability
Factor 1 (ICN): Identification of customer's Need	The conversion/non conversion of the customers is affected by the demographic environment of the city/region	0.733	0.713
Total Variance Explained: 13.90%	The educational level of customers also affect the sale of financial services.	0.696	
	People want to deal with the institutions in which they have their salary account or have prior exposure	0.728	
	The brand preference and brand loyalty also plays role in case of sale of financial products and services	0.723	
Factor 2(IPI): Institutional Promotions Initiatives	Institutions different promotion policy and customise consulting, works in case of different financial products and services	0.796	0.793
Total Variance Explained: 12.93%	The advertisement expenditure is directly linked with increase in sales of financial product and services	0.638	
	Institutional participating in related event, tradeshows, workshop, seminar help to increase customer network	0.731	
	Product and service innovation backed by R&D helps to in fetching more customers	0.721	
	Reaching out to the customer using conventional and modern technologies as per their ease of time and place helpful for firms	0.697	
Factor 3 (SC): Satisfaction of Customers	Different types of schemes and offers helps to attract the customers to buy financial services	0.748	0.709
Total Variance Explained: 11.43%	The variety of financial services and products creates better image of institutions for customers	0.617	
	Timely, regular customer feedback and improvisation of services are vital for customer satisfaction	0.785	
	The use of modern banking channels like use of internet and online technology is helpful in reaching more customers	0.648	
Factor 4 (ME): Motivating Employees	The qualification, training and development of sales people/employees/manager is also helpful in motivating employees	0.712	0.814

Factor Name	Variables/Statement	Factor Loading	Reliability
Total Variance Explained: 11.30%	Financial institutions should review the performance of sales people/employees and organise different training in regular interval	0. 675	
	Different sales incentives and offers motivates sales people/employees/manager to create more customers	0.712	
	The growth opportunity motivates sales people/employees/manager to perform better than earlier	0.805	
Factor 5 (MCD): Managing Customer Data	The Customer database: identification and priorities is important in boosting the sales of financial services	0.751	0.791
Total Variance Explained: 11.14%	The customer relationship management, retention and cross-selling is helpful in maintaining existing customer and increasing new customer	0.824	
	The poor data management, data quality and quantity on customer cause increase in expenditure and time with no any result	0.666	

Note.: Authors' calculation, factor loading and reliability

transaction history, login details, and privacy is an emerging issue for banks and financial institutions with the growing influence of information and communication technology in service industry. However, the advancement of technology also facilitates efficient and effective customer database management. This is important for banks and financial institutions (BFIs) not only because it is a legal responsibility but also because poor management of customer databases may bring serious consequences.

CONCLUSION AND IMPLICATIONS

The development of financial sector is directly linked with overall economic development of the country. Nonetheless, several obstacles, particularly those related to financial services marketing, hinder the growth of the financial sector. The distinct characteristics of financial services including intangibility, heterogeneity, inseparability, and perishability have driven complexity in marketing. Thus, it is important to align the bank and financial institution marketing strategies in identification of customer needs, tailoring appropriate institutional promotional initiatives, systematic customer data management, driving the employee's motivation and customer satisfaction. Understanding and anticipating the dynamic customer needs is vital to be competitive. Bank and financial institutions need to engage in different programmes to understand the needs of customer that might vary due to the factors like education level, demographic attributes, awareness of financial services and institutions. The need discovery should be linked with design, development

and promotion of the financial services. Advertising, personal selling, advisory services, financial literacy and inclusion programme, workshop, events participation are indeed important in informing customer about the financial services. The customer database generated via promotions, need identification programmes need to be properly managed as its offer opportunities for cross-selling and upselling of financial services and data protection is also a legal obligation, poor data management lead to serious consequences. Ultimately ensuring customer satisfaction is one of the most crucial aspect of marketing strategies which is associated with offering different schemes and offers to customers, services customisation, feedback mechanism, and use of modern technology to ensure rightful and timely delivery of services. Customer satisfaction is further connected with employee motivation as stated by James et al., (2008). Bank and financial institutions need to emphasise on training and development, fair and performance-based remuneration, growth opportunities, recognition and incentives to motivate employees for service excellence.

The current study has been conducted with the objective to exploring the factors affecting marketing of financial products/services. The research contains implications for improvements of employees' customer relationship that facilitates need discovery, data management and institutional promotional initiatives which will ultimately contribute to the firm's competitiveness and profitability. Bank and financial institutions (BFIs) can gain competitive advantage by emphasising on use of modern tools and technologies including digital media for identifying customer needs and applying the sophisticated techniques for customer data management. In addition to driving customer satisfaction, employee's motivation tools need to be deployed as it is crucial for service excellence.

This study has covered only the employee's perspectives related to marketing of financial services specifying relevant twenty factors among five different variables. Thus, it is limited in scope, quantitative approach has been adopted, where mixed method could give more factors to be consider in the domain of study and probability sampling techniques could ensure realistic representation of population. The study has presented a scope to develop or add new variables related to marketing of financial services that can add new dimensions to the findings. In the same area of study, the identified factors can be tested from consumer perspective. Furthermore, there is a scope for testing and comparing the marketing personnel's opinion of private, public and government owned financial institutions regarding marketing of financial services. Comparative study on the difference of opinion based on different demographic profile, position of employees can be conducted.

Conflict of interest

The authors declared having no conflict of interest in the research work.

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APPENDICES

Table 1

Variables used for the study

Factors use for measurement	Sources
Identification of Customer's Need	
The conversion/non conversion of the customers is affected by the demographic environment of the city/region	Al-Hawari (2015)
The educational level of customers also affect the sale of financial services.	Al-Hawari (2015)
People want to deal with the institutions in which they have their salary account or have prior exposure	Braciníková and Matušínská (2017)
The brand preference and brand loyalty also plays role in case of sale of financial products and services	Al-Hawari (2015)
Institutional Promotional Initiatives	
Institutions different promotion policy and customize consulting, works in case of different financial products and services	Huang and Lin (2005)
The advertisement expenditure is directly linked with increase in sales of financial product and services	Braciníková and Matušínská (2017)
Institutional participating in related event, tradeshows, workshop, seminar help to increase customer network	Sofi and Hakim (2018)
Product and service innovation backed by R&D helps to in fetching more customers	Heinonen (2014)
Reaching out to the customer using conventional and modern technologies as per their ease of time and place helpful for firms	Halimi et al. (2011)
Satisfaction of Customers	
Different types of schemes and offers helps to attract the customers to buy financial services	Heinonen (2014)
The variety of financial services and products creates better image of institutions for customers	Huang and Lin (2005)

Factors use for measurement	Sources
Timely, regular customer feedback and improvisation of services are vital for customer satisfaction	Sofi and Hakim (2018)
The use of modern banking channels like use of internet and online technology is helpful in reaching more customers	Ryals and Payne (2001)
Motivation for Employee	
The qualification, training and development of sales people/employees/ manager is also helpful in motivating employees	Ryals and Payne (2001)
Financial institutions should review the performance of sales people/ employees and organize different training in regular interval	Bhaskar and Khera (2014)
Different sales incentives and offers motivates sales people/employees/ manager to create more customers	Bhaskar and Khera (2014)
The growth opportunity motivates sales people/employees/manager to perform better than earlier	Bhaskar and Khera (2014)
Managing Customer Data	
The Customer database: identification and prioritization is important in boosting the sales of financial services	Ryals adn Payne (2001)
The customer relationship management, retention and cross-selling is helpful in maintaining existing customer and increasing new customer	Arnett and Badrinarayanan (2005)
The poor data management, data quality and quantity on customer cause increase in expenditure and time with no any result	Ryals and Payne (2001)