

## **The Impact of Branchless Banking on Promotion**

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### **Abstract**

This research is to observe and analyze the promotion of branchless banking in Pakistan. In few years back, it has been observed that the banking industry in rural areas decline their branches due to low business but it has also been observed that in recent years branchless banking is emerging in Pakistan. As banking industry is progressing in terms of promotion of branchless banking came up with their branchless banking products such as ATM, Mobile Banking, Retail Agent Banking, POS machines etc. This research discusses over the impact of branchless banking on promotion which creates a substantial effect on overall bank profitability or not.

In order to discuss the issue further, data has been collected from different sources such as State bank of Pakistan site, research articles, research papers, financial reports of the most leading banks of the industry that were on branchless banking, interview collected from the people of the branchless banking industry, and also conducted a survey from the customers.

From this study, it has been observed that many financial organizations more constant to provide financial services such as transfer, receiving and sending the money with the help branchless banking technology, retail agents and awareness also been increased in the consumers mind. Also it has been observed that bank has been spending huge money on their promotion

which creates a highly affected on bank overall profitability. From that bank reduced the number of branches in rural areas and bank launch a branchless banking instead of branch banking in those areas.

**Keywords:** Banking Sector, Branchless banking, Financial Inclusions, Promotion, Profitability,

## **Introduction**

In this research article, there is a brief overview about specific issue of banks regarding Branchless banking Promotion and their impact on profitability. This article clarifies the complete framework of this thesis, about what is the present problem of the industry. From, this article, it divided into several parts of analysis. It describe about industry background to clarify the problem of that industry. In this article, there is discussion about past researches about branchless banking promotion and its impact on profitability. From this collection of data, it helps to identify the specific issue of that industry. Further, the article describe about the research statement, the direction can easily been occurs in the form of Hypothesis/Assumptions. This explains about the research instrument that has been defined in this article.

This article also describes about variables that has been selected from the primary sources in the form of graphical representation of these variables. The variables that have been selected in this article are promotion and its impact on profitability. From these variables this article divided into sub factors i.e. advertisement, social media, word of mouth, to analyze the study, checks the results from hypothesis. After getting the results of these variables, this study further describe another variable regarding profitability, it would be further divided into sub variables, i.e. Convenience, branchless banking saves time, technology usage, price, and trust level to

analyze and check the result from hypothesis that branchless banking promotion affect the profitability of the bank or not.

After overall data gathering with different variables from different sources and been analyzed, the conclusion of this article is, hypothesis has been accepted i.e. Banks has been spending huge money on promotion of branchless banking during past 10 years which has created substantial affect on the over all of the profitability of organization. This article would also be helpful for other researchers and it would also improve knowledge for the readers. The study can also help in the growth of awareness regarding branchless making, creating and vintage point for searchers that seek knowledge on that deems of branchless banking in Pakistan.

### **Literature Review**

Matilla (2003) conducted a research on those factors that are influence mobile banking instead of branch banking. Collect the sample size of 1253 respondents and conduct a survey about M-banking services. From this, researcher identifies most of the respondents are used M-banking in Finland. Another Research on Branchless Banking acceptance can by conducted by Alam. He studied on Corporate Customers those are mostly involved in Internet Banking acceptance with a sample size of 223. They studied about awareness, uses, security of Internet Banking services. The result of that study shows that awareness, security, cost, etc. these all are important factors among M-Banking. Based on so many other researchers Conduct a research on branchless banking services. From this study, there are various factors that influence the procedure branchless banking services instead of Branch Banking. The factors that are more significant are related with Demographics. From Previous Researches mostly are giving the ideas about mobile banking and online banking with different regions. In 2006, Lewis and Soureli said

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in their research that the customer satisfaction is based on the quality of services perception that what individual is perceived. According to Carmel and Scott, they said about branchless banking is valued on lack of customer knowledge in a specific manner; it also said by researcher is that how customers framework occurs upon customer satisfaction. Joseph and Stone (2003), research about branchless banking is that ATM users have more access to comment, positively their reviews about the banks is for encouraging & motivating.

Majid conducted a research about branchless banking. He research that now a day's IT increasing day by day and their involvement in business is also increasing. Which creates a new kind of economy known as "Digital Economy". This Economy raising the economy in a quick way in the form of E-Banking. From this, E-banking customer asks for their data by Internet, Mobile phone etc. As per rule, E-banking provides banking products with the help of different Electronic Channels. The Banking definition comes from Basel Committee Report on the basis of banking regulations. The Committee defined E- banking as it's a course about bank products regarding retailing and provide the services with the help of digital Channels, these banking products & services would try to join in the form of store taking, credit, services of account, the monetary of accounts, bill payment or Electronic cash. In all over the world now banks are transferred their business procedures into new doors i.e. E-Banking. Digital-banking is a key to change the banks and achieve new outcomes receive from that banking. E-banking related frameworks change with massive communications and their needs development with social character, law, proper manufacturing system and last the government support. E-banking follows the laws and guidelines that are given by government, support the government for putting the data related to E-Banking, government must carry the growth of E-Banking with the help of Experts, that can made a new framework that will help you on technical about Digital-banking.

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The difficulties of Digital-banking can be identified for bank directors, Customer security and customers trust came when issues are building. For clients the bank directors and their laws are challenges for bank for improve the E-Banking.

Chaudry & Pervaiz(2015) research that the study is doing only to observe the effects of service quality, structure, credibility, financial cost for branchless banking users. They collect the data from undergrad college of Pakistan of 120, for just gathering the information. After survey from students the conclusion was that; 40.9% of branchless banking users trust that branchless banking can be done by individual changes. From this ATM, Mobile banking, E-banking, Branchless banking came. Customers expect that they might lose the cash or their data while doing transactions. From that perception the banks decided to secure more banking services & researcher concluded that trust might be apply a negative impact on mobile banking. Mas & Siedek, (2008) studied that Branchless banking is also known as Agent Banking. It is a branchless banking which allows the third party to deliver their financial services to clients. It is opportunities for financial institutions to accomplish more and more people, branchless banking are mostly used in rural areas, while their operational cost will be declined. Branchless banking has various benefits for banks, for the customers, and for the country has been trained. Branchless banking allows financial sources to launch their presence in rural areas, where branch banking is not available, safe the cost of open branch in business purpose. Branchless Banking also contributes more to financial services in more efficient way in a huge population.

In Owens, 2006, studied in their research about theory of branchless banking is that, it is a license based institutions of finance distribute their financial services & products with help of agent that provide the services about branchless banking. According to Consultative Group to Assist the Poor, the bank decides to develop their financial products and distribute through retail

agents whose work is to handle the situation. Retail agents face the customers and perform cash withdrawals, deposits functions, as in the same way branch banking branch teller also doing these types of services. Drakeford and Sachdev (2001) research that the issues about branchless banks in England and the government hard work is to compact with issues by reviewing the current situation and publicity available report government reports. Kepmpson and Whyley Conducted a research in 1998 on branchless banking issues in terms of different segments of population that is economically included such as access elimination, unavailability or availability of banking services, price elimination i.e. increased cost in economical products, condition elimination i.e. relevant forms attached with the economical products, there is elimination in marketing i.e. need of promotion and sales, and self elimination, i.e. cultural segment /religious segment/psychological barriers.

### **Research Methodology**

Branchless banking is growing in Pakistan now a day's, that how low level class customers affected from branch banking. In Pakistan, role of branchless is increasing as compare to branch banking with the help of different techniques. Banks also focus on their low customer those are unawareness of branchless banking benefits. The aim of this research is "To study The Impact of Branchless Banking on Promotions."Moreover, the retail agents also understand the elements of branchless banking that affect the customers. The hypothesis for this study is mention below;

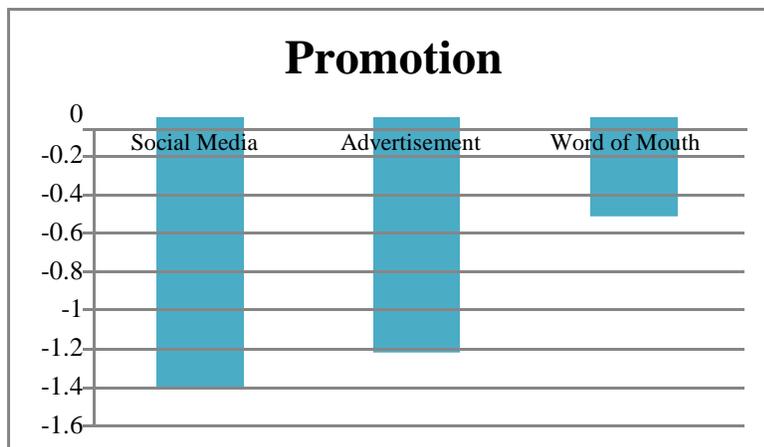
**H1:** Banks has been spending huge money on promotion of branchless banking during past 10 years which has created substantial affect on the over all of the profitability of organization.

## Limitation & Justification

The limitations of this research study will focus primarily on banking sector of Pakistan particularly that was on branchless banking products. The main source of data is primary data and secondary data which included Survey, collect interview, firm's annual reports, research articles, papers, books, and other virtual sources. The sampling technique that has been used for customer and non banking customers is convenience. This empirical study only check the profitability of banking sector regarding promotion of branchless banking.

## Data Analysis

The data has been collected from primary and secondary sources with the help of mean and graphical representation. There are two main sources of the research i.e. Promotion and Profitability with the help of sub variables are been interpreted in the form these charts mention



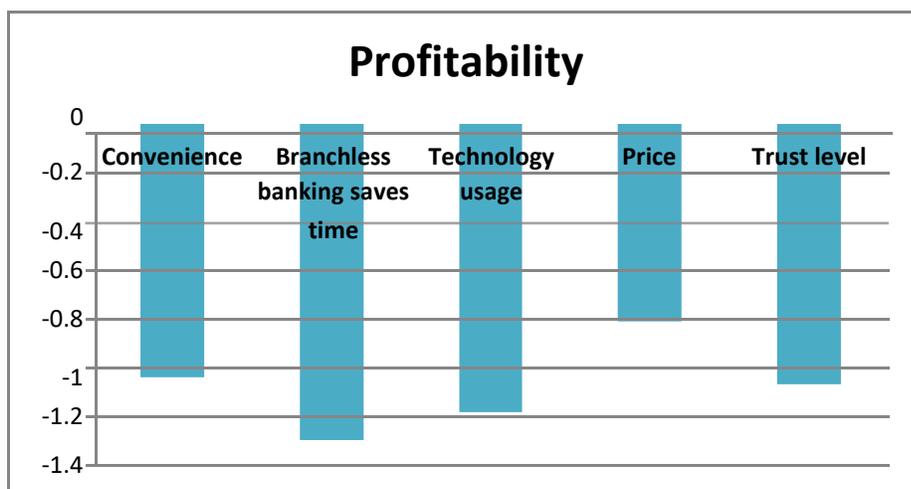
below; this figure shows about the promotion of branchless banking in banking industry. Advertisement is an important sub tool of promotion for creating awareness about their product in the perception of

consumers. The data has also been collected by secondary sources from last decades. For Further support, collect the primary data in the form of questionnaire to support the study. Then, develop a questionnaire among different variables moreover divide these variables into sub factors for accurate result to support the study. The group of Promotion which has been selected is as under;

- Social Media

- Advertisement
- Word of Mouth

The overall findings about the promotions from selected variables were from Very high to High, which shows the impact of branchless banking on promotion. The graph and mean shows that branchless banking does get affected with induction of promotion and other variables.



Profitability is also an important tool for every organization to earn more and profit from the investment on their products from customers. It represents

the overall deduction of expenses, taxes from the company revenue then net profit has been generated. Every organization do the business for just earn the revenue. Net profit is based on overall sales of the organization after sales then organization predict their profit. Net profit is the backbone of every organization without that nothing can be done, it's just with the help of sales as well as cost of their products, if their product cost and quality is not well then customer took a chance to switch with another bank as well services also have vital element for the profit of the organization, when these things came in any organization then they can easily generate more and more profit. The data has also been collected by the secondary data from last decades. The group of profitability which has been selected is as under;

- Convenience
- Branchless banking saves time

- Technology usage
- Price
- Trust level

The overall findings about the profitability of branchless banking from selected variables were from Very high to High, which shows the impact of promotion on branchless banking profitability. The graph and mean shows that branchless banking supports the hypothesis which represents that profitability and promotion does have strong relationship and also play a vital role in the growth and development of branchless banking.

### **Conclusion**

The aim of this study was to identify Banks has been spending huge money on promotion of branchless banking during past 10 years which has created substantial affect on the overall profitability of organization. Creating the group of similar variables, helps to further sub divide variables into smaller subgroups. The groups made in this research article were on Promotion, Services, Technology usage and cost. From this, it creates impact on branchless banking through promotion on profitability. Further it has been divided the study into different variables. From these variables information has been gathered from the sources of primary data in the form of questionnaire, interview. The data has also been collected from secondary sources in the form of organizations Annual Reports and research papers from different sources that have been studied can help for finding the relevant result.

In this study, several respondents were selected for the collection of data in the form of questionnaire regarding variables that has been selected. An interview has also been collected from Sales Manager of JAZZ Cash for support the study. In Pakistan, Branchless Banking is growing know a days. Everyone need as easy access of banking services. There are so many

banks that were going on branchless banking. From those banks, two banks have been selected that are operating on branchless banking, the data has been gathered from these organizations that were helpful for keep the study and these organization were representing the entire chain of branchless banking from others due to errors.

The findings of the group i.e. Promotion, from this study are that Promotion plays an important role for branchless banking in the form of Social media, Advertisement and word of mouth. From questionnaire many respondents gave their opinion that the branchless banking awareness mostly came from social media, advertisement as compare to other variables that has been mentioned. From this questionnaire mostly people give their opinion regarding variables is high. This means promotion of branchless banking creating awareness in consumers and in future bank promote more branchless banking so that the awareness and to increase up the usage. From the interview, same response has been found as from questionnaires that Branchless banking is totally grown up through promotion, that means branchless banking awareness in the consumers mind increasing day be due to easy of usage.

In profitability of branchless banking, result found that technology is create an important role of branchless banking due to easy accessible and low charges in transaction cost. From questionnaire many respondent gave their opinion about branchless banking technology usage and their cost is high. This means that due to easy usage easy mostly customer prefers that branchless banking technology is easy as compare to branch banking. From interview it has been found that Bank sales also depends on their new technology usage and from that customer also prefers to use the branchless banking as compare to branch banking because of easy usage, saves time and branchless banking technology easy to use that means in future branchless banking usage is more and will be easier as compare to branch banking.

The conclusion drawn, is that hypothesis has been accepted i.e. Banks has been spending huge money on promotion of branchless banking during past 10 years which has created substantial affect on the over all of the profitability of organization. This study would also be helpful for other researchers and it would also improve knowledge for the readers. The study can also help in the growth of awareness regarding branchless making, creating and vintage point for searchers that seek knowledge on that deems of branchless banking in Pakistan.

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