

## **The impact of promotional expenditure in Islamic banking sector of Pakistan**

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### **Abstract**

The study is to examine that the relationship between more investment in advertisement and promotion generates more profitability in Islamic banking.

It's also investigated that investment in advertisement and promotion increases customer satisfaction. This study is important due to an emerging trend of Islamic Banking practices in Pakistan. A questionnaire derived from the previous studies and relevant literature was completed by 250 respondents those were customers of the Banks survey examine how advertising and promotion investment can effect customers and to understand customers behavior towards banking services. Convenience sampling technique was used. The result reflect that there is strong positive relationship between more investment generate more profitability in Islamic Banking. This study has a number of implications for bankers and policy makers.

**Keywords: Banking sector, Islamic Banking Investment in Advertisement and Promotion Tactics (Internet, digital, social and print media)**

### **Introduction**

Two famous Banks of Pakistan Bank Islami and Meezan Bank contested dramatically according to full fill the needs of their customers. Both Banks put lot of money in terms of advertisement and promotion, and these both Banks has huge cluster of customers. Banks always provide services, and selling feasible services to their customers in terms of selling product. Because product consumes and services remain for long time and gives continuous benefits to their customers. In order to create

awareness of banking services to their potential customers. Banks invest a lot of money to run their advertisement on television, social and print media.

For example, In car advertisement banks usually use a family picture in their advertisement to attract customers and try to pull their potential customers at the door of bank. Banks invest huge amount of money in order to convert the potential customers into potential buyers. Banks always interact with customers by running their ads periodically.

My study requirement is to analyze promotional expenditures are giving satisfying results. Besides that this investment capturing the new customers. As well as engaging the previous customers in order to satisfy them.

The root cause which I have found investment of advertisement and promotion in islamic banking have not created proportionate result in sales and profitability due to in effective promotional strategies. That this statement is not true when i did deep study of it i analyzed that customers always attracted from the advertisement which done by banks and some free services which are mentioned in advertisement. (Panaflex, Billboard, Television ads). After that i move towards to collect primary data as well as secondary data. In primary data, collected opinions from the customers about banks services and facilities. In secondary data collected data from annual reports of the Banks which are registered in stock exchange of Pakistan. After analyzing the both primary and secondary data observed that more investment generates more sales.

## **Literature Review**

### **Insights from a critical perspective Ali Akbar Jafari**

End my key target in this article has been to feature the significance of reflect and self-scrutinize to the improvement of information in the area of Islamic advertising. Inside the space limitations of the original copy, I identify and examined three key issues that I view as disadvantages of the talks so far set forward in JIMA. Initially, I contended that in our investigation of showcasing marvels with regards to Islam or Islamic social orders, we have to receive a pluralistic methodology which recognizes assortment of Islam's and Islamic elucidations. At that point, I underlined that Islam is an asset (not a

device) and our capacity of broadening the life expectancy of this asset lies in our capacity Islamic promoting of comprehending Islam and broadening our insight into the religion. Third, I focused on that socialization of Islam is a hazardous demonstration, which will definitely deny us of the products of scrutinize and reflexivity here, I need to accentuate that Islam does undoubtedly advance humanistic methods for living including humanistic business rationality and practice. However, this isn't a select normal for Islam.

### **Investment Islamic advertising ethics, perceptions of Indonesian Muslims, Fadhil Akbar Purnamaa**

Several studies have found that Muslims have different attitudes towards advertising compared to people of other faiths, which makes Muslims an especially interesting group of consumers to study. This research attempts to contribute to the understanding of Islamic advertising by investigating ethical advertising from the eyes of Indonesian Muslim consumers. More specifically, this study investigates whether there are differing ethical perceptions of advertisements between Indonesian Muslims of different age, gender, ethnicity, and levels of religiosity. Analysis of Variance and independent sample t-test were used to compare the varying perceptions of the respondents towards the Islamic ethical advertising elements.

### **Islamic Finance and Ethical Investment Rodney Wilson**

Islamic investors have a range of choices when constructing a financial portfolio. These include riba free bank deposits, investments in Islamic unit trusts and investment companies, private placements in Muslim businesses and investments in conventional institutions and businesses which undertake to deploy funding from Islamic investors on an halal basis. Options regarded as haram include conventional bank savings and investment deposits, the purchase of interest yielding bonds, and the acquisition of shares in companies involved in alcohol production or distribution or in pork products. Participatory finance through musharakah was one of the earliest forms of Islamic finance involving a partnership between the provider of the capital and the user or entrepreneur. Such financing was used widely and successfully in the Muslim world, usually for the funding of small businesses. Short-term trade finance

was available through murabahah arrangements.

### **Marketing of Shariah based financial products and investments in India, Jamaluddin**

The road blocks and solutions To date, there are no Islamic banks in India and no conventional banks with Islamic windows. There are statutory and regulating problems for anyone wishing to set up an Islamic bank in India, but perhaps this is the emotional response of those opposing any changes to allow Islamic banking. The emotional issues, which are embedded in India's political history, will be much more difficult to address. Opposition to Islamic banking is not only based on religious reasons and fears that there is insufficient local expertise to sustain the industry, but also on a general level of ignorance about Islamic banking concepts in India. The Reserve Bank of India Act 1934 and the Banking Regulation Act 1949 confers wide powers to the reserve bank being the central bank of the country to supervise and control the affairs of banking companies in India. Section 22 requires a license in order to carry out the business of a banking company and to acquire Reserve Bank of India permission for opening a new place of business in the country. In India, the term "banking" is defined as "accepting, for the purpose of lending a investment or deposit of money from public, repayable on demand or otherwise, and with draw able by cheque, draft, order or otherwise"

### **Research Methodology**

The framework and design of the study along with data collection and sampling methods will be elaborated which will strengthen the hypotheses of this study. This research framework can be applied to every manufacturing industry locally or globally which further enhances the scope of this study. To give a clearer picture of the issue, problem statement is derived for the better understanding.

### **Problem statement**

Promotion and advertising is become necessary requirement for very consumer related services or product. For banking sector advisement, play's the crucial role but on other hand it required lots of investment is help full in the growth of organization and customer satisfaction. This study is design to find the relation between advertisement expenditure to growth of banking sector.

## **Hypothesis**

On the basis of the problem defined and the previous researches the following hypothesis has been developed.

### **H1:**

Investment in advertising and promotion in Islamic banking have not created proportionate result in sales and profitability due to ineffective promotional strategies and Islamic banking constraints for last ten year.

### **H2:**

Investment in advertising have a greater impact on sales and profitability of Islamic banking as compare to the investment on human resource for last ten year.

The hypotheses developed according to the problem statement, profitability is the variable that is dependent on other various factors and here profitability is dependent on advertisement and promotion expenditure on banking sector. In this research study. Similar to the previous researches it is expected that the increase in investment of advertisement and promotion effect on Sales and profitability of banking sector in Pakistan for last ten years.

## **Data collection**

The total population of banking sector customer all over Pakistan is large amount of pollution. Questionnaire was the instruments used to obtain input for the study from the banking sector customers. The questionnaire was developed accordingly with the dependent and independent variables, further analysis the published annual reports of ten years of two renowned banks.

## **Sampling**

After determining banking sector (customers) as the source of this study, A questionnaire derived from the previous studies and relevant literature was completed by 250 respondent those were

customers of the Banks survey examine how advertising and promotion investment can effect customers and to understand customers behavior towards banking services. Convenience sampling techniques was used. The result reflect that there is strong positive relationship between more investment generate more profitability in Islamic Banking.

### **Data analysis**

The inputs obtained from corporate through questionnaire were analyzed by applying the central tendency test of arithmetic mean where the average value of each factor of the questionnaire is determined and analyzed. The central tendency test refined the inputs obtained from questionnaire. The information from the published financials of two banks, it were analyzed and interpreted according to its relevancy to the dependent and independent variables.

### **Promotional Strategies of Bank Islami and Meezan Bank**

Promotional strategies of bank islami and meezan banks, Every bank has different Standard of policy (SOP) Marketing strategies and promotional strategies. Which are made by top management under consideration of customer needs. So in order to increase the sale the do some marketing on different platforms.

Like, they run facebook and instagram advertisement which comes under the shelter of social marketing besides that there are also various platforms to promote the services and generate sales. In this chapter we will discuss the advertisement and sale promotion and its impact on sales and profitability for this purpose secondary data will be discussed first and to support data, as study is conducted through questionnaire. 250 respondents took part in this study presented their views about more investment on advertisement and promotion effect on customers. It's also increase the sale and profitability of banking sector. Hence this chapter will present the comparative study of previous researches and the outcome of questionnaire filled for the purpose to evaluate secondary data.

The following graph represents respondent point of view about

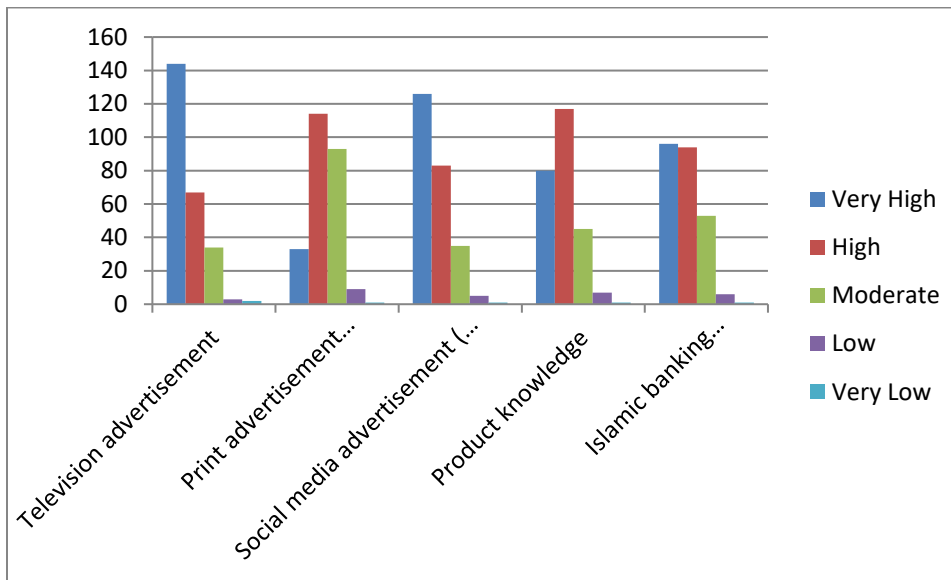


Figure – primary data graph (1)

### Television Advertisement

A television advertisement (also called a television commercial, commercial, ad, TV advert or simply an advert) is a span of television programming produced and paid for by an organization. It conveys a message, aimed to market a product or service. Advertisers and marketers may refer to television commercials as TVC's.

In above figure, Enhance our television advertisement spending the more sale we can achieve. As evident below the number of sales increased when the expenditure on television advertisement was increase, this shows that the sales are directly proportional to expenditure on television advertisement.

### Print advertisement (newspaper, magazine and Brochure)

Print media advertising is a form of advertising that uses physically printed media, such as magazines and newspapers, to reach consumers, business customers a prospects. Advertisers also use digital media, such as banner ads, mobile advertising, and advertising in social media, to reach the same target audiences.

In above figure, this shows that initially the number of sales increased when the expenditure on print advertisement was increase; however a very aggressive campaign in print media leads to fall in

sales. This was due to the fact that the product was perceived as cheap and overly rated.

### **Social media advertisement SMA (facebook, snapchat, instagram and twitter)**

Social advertising is advertising that relies on social information or networks in generating, targeting, and delivering marketing communications. Many current examples of social advertising use a particular Interpretation service to collect social information, establish and maintain relationships with consumers, and for delivering communications. For example, the advertising platforms provided by Google, Twitter, and Facebook involve targeting and presenting ads based on relationships articulated on those same services. Social advertising can be part of a broader social media marketing strategy

In above figure, as evident above the number of sales increased when the expenditure on social media advertisement was increase, this shows that the sales are directly proportional to expenditure on social media advertisement, the more we enhance our social media advertisement spending the more sale we can achieve.

### **Product knowledge**

As understanding of a good or service that might include having acquired information about its application, function, features, use and support requirements. A business sales representative is an example of an individual that is typically expected to acquire considerable product knowledge about the goods and services that they are responsible for selling to consumers.

In above figure, as evident above the number of sales increased the customer knowledge about the product increased.

Islamic banking advertisement and promotion and based on Islamic criteria

Policy Implications, the evidence indicates strongly that it is a good social policy to foster the widespread practice of religion. The widespread practice of religious beliefs is one of America's greatest national resources. It strengthens individuals, families, communities, and society as a whole.

In above figure, as evident above the number of sales increased when the product was perceived as religious, this shows that the sales are directly proportional to religious branding.



## Customers Experience Regarding Banking Polices of Bank Islami and Meezan Bank

Customers experience regarding banking policies of bank Islami Bank and Meezan bank. The customers experience about banking policies quite differ. Customers want more benefits and Banks always secure them self. Banks always want to give after sale service and to retain their customer satisfied. As discuss in the previous chapter there are various factors related to services which are driven on the aspect of customer.

Like, After sale service, profit rate offer, benefits etc Similar there are some factors which are 100% based consumer perception rather than efforts made by the banking sector on their services.

The following graph represents respondent point of view about customers experience regarding banking polices of banking Islami Bank and Meezan Bank.

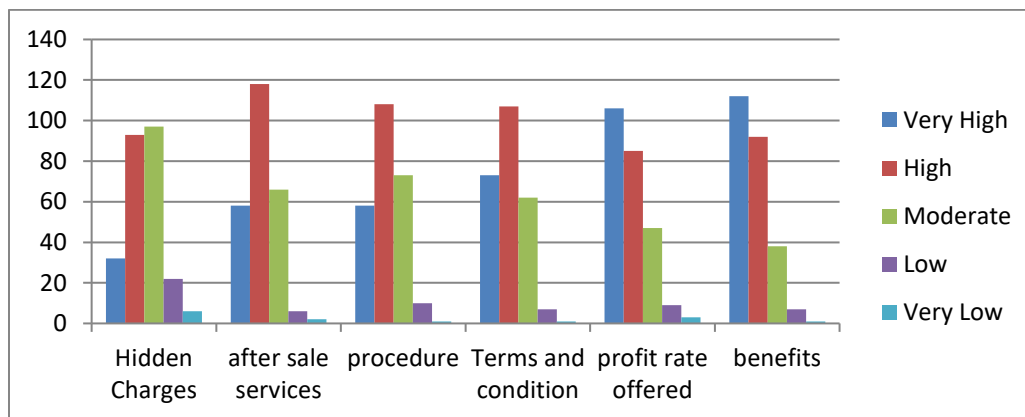


Figure – primary data graph (2)

### Hidden charges

Hidden costs Expenses that are not normally included in the purchase price for a piece of equipment or machine e.g. maintenance, supplies, training, support and upgrades.

In above figure, We have a very surprising relation to analyze below as we can see that the number of sales increased when hidden charges was increase, however after a certain time the sales starting falling as the customer responded to high or very high hidden charges.

### After Sale services

A company's after-sales service is all the help and information that it provides to

customers after they have bought a particular product. Business a local retailer who offers a good after-sales service. They attempt to keep the car buyer as a long-term customer by offering after-sales service

In above figure, As evident below the number of sales increased when better after sales service was offered, this shows that the sales are directly proportional to strong after sales service, the more we enhance our after sales service, the more sale we can achieve.

### **Procedures**

Fixed, step by step sequence of activities or course of action (with definite start and end points) that must be followed in the same order to correctly perform a task. Repetitive procedures are called routines. See also method.

In above figure, In the above graphs, In the light of above mention table we can interpret that among the primary sources Procedures has highly impact on customer purchase decision and all respondent notice that procedures has impact on them and others customers.

### **Term and condition**

The Terms of Service Agreement is mainly used for legal purposes by companies which provide software or services, such as web browsers , e-commerce, web search engines, social media , and transport services.

In above figure, As evident below the number of sales increased when favorable terms and conditions were offered to the customers.

### **Profit rate offered**

Profit rate is the percentage of your income that is profit. ... Divide the profit by your total costs, and the result will be the rate, or percentage, of profit that you make on your sales.

In above figure, As evident below the number of sales increased when the return on our product was increased. This directly impacts the valuation of our product in the market.

### **Benefits**

When it comes to employment, a benefit is any additional advantage an employee receives from his or her employer. Everyone receives a wage, but benefits go beyond that and include items such as

vacation time, pensions and health insurance coverage. Benefits can fall under different categories. Fringe benefits include paid holidays and retirement plans. They are tax-deductible for employers and remain untaxed for the employees. There are also retirement benefits that are offered by the Social Security Administration. This is provided to individuals who have reached the age of retirement and have accumulated enough credits to be eligible for the program. Benefits are generally offered as a way to entice individuals to apply to an open position within a company and to retain great employees.

In above figure, as evident below the number of sales increased when the perceived benefit of the product was increased.

### **Conclusion**

It's necessary for the banks to maintain their Advertisement and promotional investment in order to achieve greater profitability for them and its beneficial for the bank sector. This study was conducted to access the impact of investment in advertisement and promotion on the profitability of the Islamic banking sector. The secondary and primary data was collected for analyzing the impact of these factors on the profitability of the Islamic banks. The secondary data of the past 10 years was collected from the two Islamic banks of Pakistan, the primary data was collected through questionnaire.

In secondary data I analyze that advertisement and promotion expenses is increase than sales and profitability also increases and also in primary data respondent agree to that when advertising and promotion runs more than they attracts more.

In hypothesis “investment of advertisement and promotion in Islamic banking have not created proportionate result in sales and profitability due to ineffective promotional strategies and Islamic banking constraints”, I analyze that when investment is increases than banking sales and profitability also increases its mean hypothesis is rejected by result.

More investment in advertisement and promotion increases sales and profitability of Islamic bank.

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