

## **The Impact of Advertising on the Islamic Banking of Pakistan**

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### **Abstract**

This research discussed about the Islamic Banking Industry of Pakistan. As, in last decade banking sector has grown to new limits with the advancement in technology and new method of delivering message to the audience. It is observed that to maintain its growth, Islamic banking focus highly on advertising, as it's one of the best way to leverage the brand awareness, strengthen up the existence and to gain more customers. All these efforts reflect a healthy sign and helps banks to increase up the deposits level. Increasing assets and growing its deposits are the core business of any bank, but if the deposit level fails to change, then their previously made investment on advertising would not be worthy enough.

In order to analysis this situation and conduct the study, data has been gathered by authorized documents, online libraries, annual reports of Islamic banks (officially provide online), interview from industry expert, and perspectives of customers and non-customers of Islamic banking from Karachi, Pakistan.

It is also observed that deposits of Islamic banks are shifted with the change in level advertising they performed. Islamic bank place high effort to compete in market with their rivals by using advertising as a tool, which allows them to tab new opportunities in different area. It has been identified that Islamic bank keeps the consistent growth of advertising with the gain of similar leverage to the deposits level. Whereas, it is emphasized that the Islamic banking has some

correlation with change in the deposits level. Providing them an extra mile to performed and improve their position in the market.

**Keywords:** Islamic banking of Pakistan, Advertising in Islamic bank, Deposits level.

### **Introduction**

This research article includes a brief overview of the study, which contains the theory behind the problem identified regarding the advertising of Islamic banking and its impact on the deposit level. This article discloses the complete outline of the research that has been conducted, and the issue that are present in the industry with strategies that can help to conduct the research regarding the problem. The article reflects the complete analysis, that includes industry insights which helps in clarifying the issue and problem present in the Islamic banking sector. Some of the crucial details are also involved in the article from past researches and online sources. These studies can be beneficial in finding out the most appropriate variable to be studies and tested in the research. Another perspective of this article carries a framework that define the complete work flow by which this research has been conducted, in a form methodology.

The following article also describes the research significance and boundaries with proper research statement that helps to move in the right direction. The primary variables that are explain in the research, and summarized so that the core element of the study belongs to the advertising factors can be elaborated and discussed with some latest statistical data and charts from the past studies. The article also unfolds the data analysis collected through primary source, using the technique of questionnaire and evaluated by the method of arithmetic mean. The last part of this article, elaborates the result of the study conducted, and the connection of variable to the research

statement, which can be used to determine whether the hypothesis was accepted or rejected with support of primary and secondary data analysis.

### **Literature Review**

To support the research, data from the past have been gathered from different medium to find out the most significant variable to be followed in the study. From several, one of the research conducted by (Ashfaq Ahmed in 2009) find out different perceptives of influencing bank's customers. The study shows the relationship between how customers are influenced and satisfied with the banking service. To find details they have conducted a deep analysis on both Islamic and conventional banking. According to the proposed thesis, the Islamic section of research was helpful and more relevant giving an extra insight to focus more on the most concern factors. Banking sector in Pakistan is growing rapidly, which also increases the competition in market. Different aspects are highlighted by Ashfaq such as operations, quality, performance and how they can influence the customers.

The study also reflects the changes in financial pattern of the bank's product due to advertisements. Islamic bank provides several types of products such as Murabaha, Istisna Salam and Muajjal. Whereas the ratio they share according to Ashfaq Ahmed were 30% Ijarah, 15% Musharaka, 2% Salam and 48% Murabaha. The study also provides the reference Khan reported in 1985, that Islamic banking can contribute massively in fruitful activities by the provision of funds on profit and loss account to different areas of investments e.g. manufacturing and agriculture industries etc.

In another study, according to (Aaker and Myers in 1975), advertisement has helped various financial firms to adapt and embrace the attitude of customers towards product advertising.

This serves as the major source of communication between the customers available in the society and the bank. The prime task of advertisement is to communicate and convey information efficiently to various groups that could vary from hundreds to thousands or even in millions.

The main role of advertising is to give relevant information (Holbrook and O'Shaughnessy, 1984) about a product or service before customers decide whether to consume it or not (Anderson and Renault, 2006). Advertising should also contain the contents that are legal for all ages and does not put any negative impact on others and does not provide harm to any social norms, according to this model, when some relevant news or relevant information starts a cognitive judgment in customers' minds and increase customers' satisfaction occurs. By Advertising if a customer does not directly start using the service or the product but the person may have a positive attitude towards brand and can referred your brand to others by only getting inspired by the way of advertising performed.

Beckett Et al. in 2000 studied a model which determines the structure for the behavior of consumers when purchasing the financial product and service. When the researcher examine the data gained from target group or chosen group found that attitude of the financial provider to the product. These findings help bank providers to select the best and most appropriate strategies to increase customer's retention and profitability.

Bilal in 2011 studied the variable regarding customer loyalty with banking industry in one the developing country. He creates several model and relationships in studies to proposed the outcome, such as questionnaires' and interviews. And finally comes to the conclusion that trust, satisfaction, and commitment are the major factors that stimulate customer loyalty and they can be generated through effective advertising.

This study was conducted by few students of Islamic university of Bahawalpur in Pakistan, the core determination of the following study is to explain the reason and impact why people switch their banks. As, if the customer shifts the bank's deposits level are effected. They have taken several factors in the study that influence or stimulate the behavior pattern of customers. The content of the research become more important to the study, as it considers advertising as one of the core factors that influence people actions towards banks and their interaction regarding bank deposits and loans.

Syed Shahzaib Pirzada and Muhammed Nawaz find that the changes made in advertising stimulates the psychological behavior of customers by igniting and driving the demands of something new for them. The analysis by Muhammad Usama Javed and Zulqarnain Asab explain the phenomena of economic changes that occurs in last few years, the study shows that the intensity of economic actions is the main element of the profitability of the banking sector, as the study shows that the amplification of the economic activity surges bank advances as well as bank deposits. Fortunately, both the level of deposits and level of advances are very sensitive to changes in the liquidity ratio. If the situation occurs and bank advances decline whereas bank deposits go up as the liquidity ratio rises, which seen as a change in the credibility of the banking system. Since the positive outcome on the level of deposits is lower than the negative, impact on the level of advances reflects the impact of changes in liquidity, depending on the level of advances and deposits, may be a decline in advances, Study also indicate that banks should accord rate on improving their service quality according to the market demand and for the betterment of customer's perception, satisfaction and loyalty.

## **Research Methodology**

Advertising is one the most effective tools to retain customers and allow them to make satisfactory decisions. Creating successful marketing strategies is one of the most challenging concerns, that must be skimmed carefully and timely in order to leverage up the performance and create consistency in growth of Islamic banking in Pakistan, as the competition in last decade has intensifies banking industry needs to label on new opportunities that are arising in the market. An appropriate marketing strategy becomes more vibrant as Islamic banking function in an environment where financial returns and financial service quality are considered as the most vital criteria from customer's point of view, along with Islamic banking sector to contest with conventional banking which surely have much better understanding and capability in banking business model. Due to heavy investment in advertising bank have chance to increase their deposit levels and capture more market shares. In order to check the influence of advertising and its relationship with deposits level, a research statement was drawn to conducted and direct the study related to the impact of advertising on the deposits of Islamic Bank in Pakistan in last decade.

### **Purpose & Significance of study**

The main purpose of this research is to explore and point out some marketing strategies that justify the role of advertising and its impact on deposits of Islamic banking, which consists of several sub factors. There could be a statistical interference between advertising and attracting deposits through campaigns which are promoted by Islamic banks. Below is the constructed hypothesis:

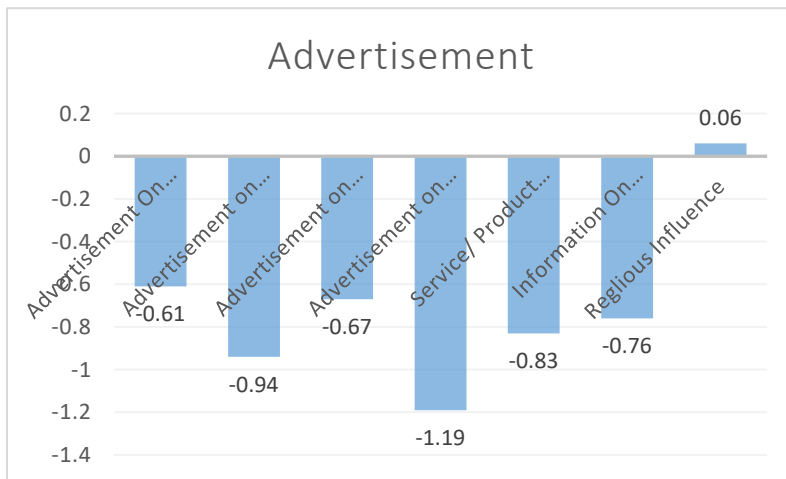
**H1:** Advertising has been increasing the deposit level of Islamic Bank in Pakistan during last 10 years due to the aggressive competition in the market.

**Limitation & Justifications**

The limitations of this research is that, it will focus on the Islamic banking institutions of Pakistan particularly rather covering banks all over the globe. The main source of data used are primary and secondary both which included customer survey, interviews with mangers, firm’s annual reports, research articles, papers, e-journals, and other virtual sources. The sampling technique used for customers and non-customers was convenience method, since the actual number can’t be specified and accurately measured. For organization sampling technique use was random sampling, and interview was used as a tool to measure or record data.

**Data Analysis**

The selected variables were tested with primary and secondary data analysis, in form of mean and graphical representations. The two major variables were advertisement and deposits; each consists of few sub variables which were interpreted with the help of mean chart.



Advertisement as one the most prominent part of promotion, and to measure its strength, the analysis has also been drawn on secondary data in last section. To further leverage and strengthen the study, collection of primary

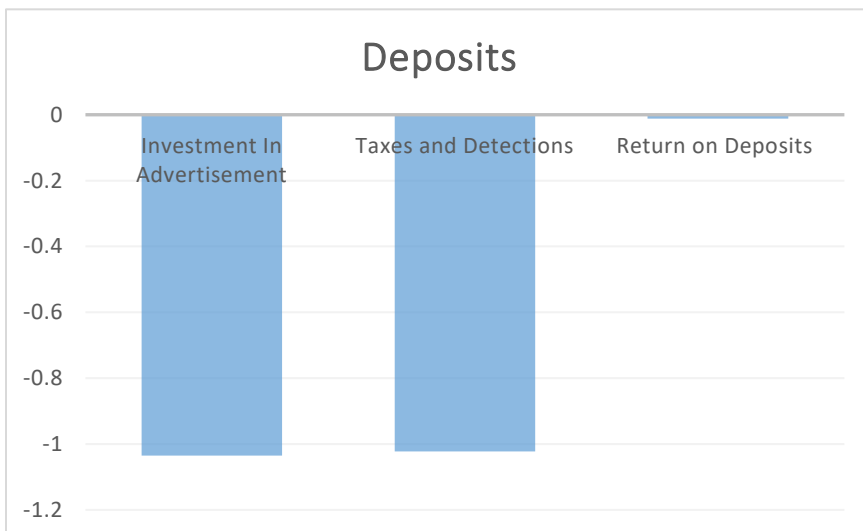
data was conducted from target audience. In the analysis, basic variables were divided into several sub-factors to get more precise and accurate results to support the study. The group of variables selected for promotion are as under:

- Advertising on TV (TVC)
- Advertising of Social media (SM)
- Advertising on YouTube
- Advertising on print media
- Service/Product awareness
- Information in advertising
- Religious influence

The overall means inducted from these variables were recorded from high to very high option in the table, which reflects that advertising have impact on the deposits level of Islamic banks in Pakistan.

Considering the second most imperative variable in the study was deposits level, measuring the impact of advertisement on this dependent variable. This variable was also tested with the same means of method for analysis.

Monetary aspects of bank are the core of the financial services; these variables are so significant for the banks that it enables the banks to stand in category of the financial institutions.



No bank can operate without healthy monetary support; Islamic banking also base on the principle of such rules only excluding the factor of ‘interest’ - Riba. These variables assist in the study to



draw out more precise outcome to the research. There can be hundreds of foundations in bank financial part but most core elements were selected, as they are most commonly used and could really make a difference in the research. The selected sub variable to deposits were as follows:

- Investment on advertising
- Taxes and Detections
- Return on deposits

The outcome of these major variables was also recorded from high to very high (using arithmetic mean method) contributing to the study. This group of variables were also induced by the impact of advertising on deposits, and both of these variables show positive sign towards the hypothesis assumed early in the research. Also the secondary data that supports the research, reflects that the Islamic Banking also ensures to maintain statutory deposits and liquidity requirements all the times as followed by the rule of SBP.

### **Conclusion**

The main objective of this study is to determine that there is significant impact of advertisement on the deposits levels of Islamic Bank of Pakistan in last decade. To proceed ahead study was divided into smaller groups each base on the similarity of their nature. Aligning the similar variables into one group, creates three major section of the study, the first one called advertising and financial section. These groups were tested for the impact on deposits level of Islamic banks. To evaluate the strength of each individual variable data was collected from primary and secondary data sources for analysis. For primary data questionnaire and interview were used as a tool, where as to cover up the secondary section of data, annual report from the last decade were chosen and different research papers were interpreted to support the study. The past

researched data, also massively helps in the study, as similar factors and variables were taken in concern by the researchers. This also helps to find weak loops and issues that can't be carted in past, the finding from past papers can act as cautions that can help to reduce the errors in this study.

The results show's that the advertising plays an important role in bank deposits level, the findings from the questionnaire reflects that people were considered advertising an important aspect for banking deposits and rank most variable from high to higher, this shows that in future these elements can be more prestige for banking to take concern when working out to leverage up the bank financial assets and deposits. The evaluation of questionnaire was benchmarked using the method of "Mean" and FDT (frequency distribution table). As far as an interview is concern similar response was recorded from manager, that advertising does play role in creating awareness and force target audience to get more engage with banking. This result in deposits improvement and brand activation. Although, manager said that it can be click as one of the most vital factor responsible for banking deposits.

The second group variables were based on financial aspects, as deposits itself an element belonging to financial tree. Most of the respondent ranks the factors from high to very high, this focus group also contain the variable of taxation, and most of the respondent mark that high. Since Pakistan is a third world country and still in the phase of development people do discourage the high level of taxation. Where other factors were also rank high, especially the return on deposits which was one the core variable in this research, when ask from the bank manager in the interview he said that the major reason was the exclusion on interest and replaced by profit which is acceptable in Islam. Therefore, people enjoys more on return as compare to non-Islamic section. Making this group a positive sign that financial aspects also have an impact on deposit levels Islamic banking.

To sum up the research, it has been concluded that hypothesis was accepted on the bases of primary and secondary data collected, since advertising do play an important role to increase the deposit level of bank. This study would be helpful for banking industry as well to see what elements of advertising can be the major source of improvement and highlights which factors are to be removed from the campaigns to gear up the effectiveness, growth and performance of Islamic banking in Pakistan.

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