Relationship between Market Efficiency and Performance: The Nigerian Banking Sector

RESEARCH ARTICLE

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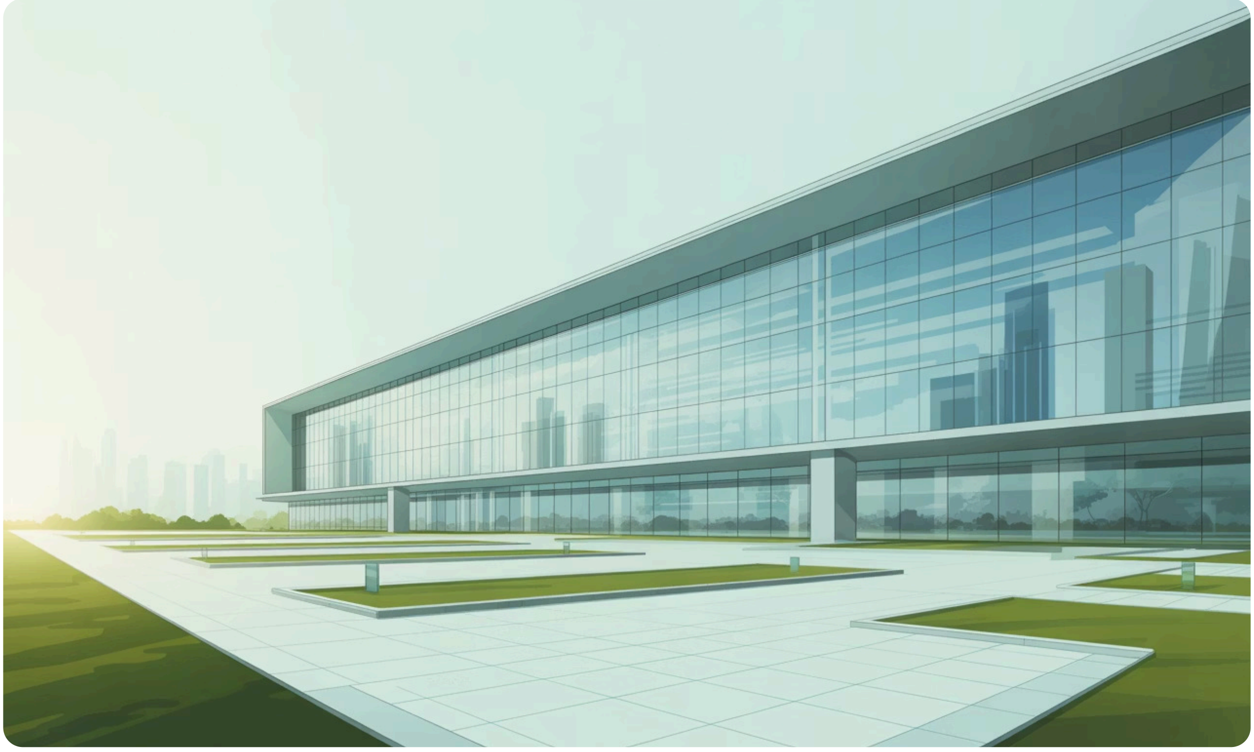

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ABSTRACT

This research investigates the relationship between Market Efficiency and Performance in the Nigerian Banking Sector. Conducted in honour of Rt. Rev. Prof. Obeka Samuel Sunday, Vice-Chancellor of Wesley University, Ondo, known for his contributions to academic performance, innovation, and efficiency in university management, the study had two objectives: to determine the relationship between commercial banks' product marketing strategies and their performance, and between marketing efficiency and their performance. Correspondingly, two hypotheses were formulated: that there is no significant relationship between product marketing strategies and commercial banks' performance, and no significant relationship between marketing efficiency and commercial banks' performance in the Nigerian banking sector. A survey research design was employed, using primary data from a self-developed "Bank Market Efficiency Questionnaire (BMEQ)," validated through expert review and a pilot study (Cronbach's Alpha ensured psychometric properties), and secondary data. Stratified random sampling selected 332 bank employees (from a population of 14,084) by gender and department, while commercial banks were chosen via systematic random sampling. Data were coded and analysed using descriptive and inferential statistics via SPSS version 21.0. Key variables included marketing strategies, marketing efficiency, and commercial bank performance in Nigeria. The main finding was a significant relationship between product marketing strategies and bank performance in the Nigerian banking sector. Two recommendations were proffered: management should utilise these findings to enhance bank market efficiency and performance, and implement proper internal marketing strategies to boost employee satisfaction, retention, and attraction.

Methodology

Survey research design using stratified random sampling of 332 bank employees from a total population of 14,084.

Key Variables

Marketing strategies, marketing efficiency, and commercial bank performance in Nigeria.

Main Finding

Significant relationship between product marketing strategies and bank performance in the Nigerian banking sector.

Keywords: Market efficiency, Bank performance, Marketing strategies, Nigerian banking sector, Commercial banks

INTRODUCTION

This study is dedicated as a Festschrift to Rt. Rev. Prof. Obeka Samuel Sunday, Vice-Chancellor of Wesley University, Ondo, Nigeria. His outstanding performance, efficiency, innovation, leadership, and academic contributions have enhanced university management effectiveness. Under his visionary guidance, Wesley University has significantly improved in research and innovation, fostering staff development.

The Nigerian banking sector has transformed recently due to regulatory reforms, technological advancements, and increased competition. With its evolution, understanding the relationship between market efficiency and bank performance is crucial for stakeholders like banks, regulators, and investors. Efficient bank operations require timely and accurate customer information. According to the Central Bank of Nigeria (2023), a country's legal and regulatory framework influences the banking environment, impacting charter rules, accounting practices, market conditions, and service quality. External controls, regulation, protection, corporate governance, and internal mechanisms also shape the banking sector.

01

Regulatory Transformation

The CBN's Banking Sector Recapitalisation Programme 2024 requires banks to meet new minimum capital thresholds, from ₦10 billion for regional non-interest banks to ₦500 billion for international commercial banks (Central Bank of Nigeria, 2024).

02

Market Competition

Fintech prevalence in Nigeria creates a competitive landscape for traditional banks, prompting innovation and adaptation to changing market dynamics.

03

Digital Innovation

Nigerian customers increasingly use digital banking solutions, driving banks to invest in their digital infrastructure and services.

Other factors influencing bank performance include organisational structure, equity holdings, capital structure, governance, administrative arrangements, competition, shareholder obligations, and remuneration packages. Improving efficiency is a major challenge for the financial services industry in a highly competitive environment, considering cost and income growth. Nigeria's financial sector grew 30% in 2024, fuelled by $6 billion in foreign investments (Iwedi et al., 2024). Nigerian banks' commitment to cost management varies, tending to be cyclical. Increased competition from non-bank financial institutions and expanding banks pressures Nigerian banks to improve earnings and control costs (Iwedi et al., 2024). Despite the importance of market efficiency and bank performance, research examining their relationship in the Nigerian banking sector is scarce. This study addresses the relationship between market efficiency and bank performance in Lagos, Nigeria.

RESEARCH OBJECTIVES, QUESTIONS AND HYPOTHESES

Research Objectives

1. To determine the relationship between the product marketing strategies employed by commercial banks and their performance in the Nigerian banking sector.

2. To determine the relationship between marketing efficiency and commercial banks' performance in the Nigerian banking sector.

Research Questions

1. What is the relationship between the product marketing strategies employed by commercial banks and their performance in the Nigerian banking sector?

2. What is the relationship between marketing efficiency and commercial banks' performance in the Nigerian banking sector?

Research Hypotheses

1. There is no significant relationship between the product marketing strategies employed by commercial banks and their performance in the Nigerian banking sector.

2. There is no significant relationship between marketing efficiency and commercial banks' performance in the Nigerian banking sector.

Research Framework

- Two primary research objectives
- Two corresponding research questions
- Two null hypotheses for testing
- Focus on Nigerian banking sector

Study Focus

- Product marketing strategies
- Marketing efficiency analysis
- Commercial bank performance
- Relationship assessment

METHODOLOGY

This study employed a survey research design, utilising both primary and secondary data sources. The primary data were collected through a self-developed questionnaire, titled "Bank Market Efficiency Questionnaire (BMEQ)". The questionnaire was designed based on insights gained from the literature review. The target respondents were employees of randomly selected commercial banks in Nigeria. The BMEQ consisted of statements related to market efficiency and bank performance. Respondents were asked to indicate their level of agreement with each statement using a 5-point Likert scale: 1. Strongly Agree (SA), 2. Agree (A), 3. Undecided (U), 4. Disagree (D), and 5. Strongly Disagree (SD).

In addition to primary data, secondary data sources were also utilised to provide context and support the findings. These sources included: existing literature on market efficiency and bank performance; industry reports and publications; Central Bank of Nigeria (2023, 2024) data and statistics; relevant books and journals, which provided valuable insights and research findings on the topic; academic magazines, which offered additional perspectives and analyses; published annual reports, with The Chartered Institute of Bankers of Nigeria (CIBN) and Institute of Chartered Accountants of Nigeria (ICAN) reports serving as primary sources of secondary data; and balance sheets and accounts. These financial documents, obtained from banks' activity reports, provided quantitative data for analysis. By combining primary and secondary data sources, this study aimed to provide a comprehensive understanding of the relationship between market efficiency and bank performance in Nigeria.

To ensure the validity and reliability of the research instrument, the initial questionnaire draft was reviewed and refined through discussions with experts in the field of Management Science. A pilot study was conducted to assess the questionnaire's internal consistency and psychometric properties using Cronbach's Alpha. The study employed stratified random sampling to select 332 bank employees (male and female) from a population of 14,084 employees. The sample was stratified by gender and department, and commercial banks were selected using systematic random sampling. Data management involved coding responses and subjecting them to descriptive and inferential statistical analyses using SPSS version 21.0.

Research Design

- Survey research design
- Primary and secondary data sources
- Bank Market Efficiency Questionnaire (BMEQ)
- 5-point Likert scale responses

Sample Size

332 bank employees selected from a population of 14,084 using stratified random sampling by gender and department

Data Analysis

SPSS version 21.0 for descriptive and inferential statistical analyses with Cronbach's Alpha reliability testing

CONCEPT OF BANK EFFICIENCY

Efficiency and productivity are key performance measures, distinct from each other. Productivity is the ratio of outputs to inputs, while efficiency relates to relative productivity over time (Onaolapo & Odedoyin, 2024). Efficiency gauges a firm's success in transforming inputs into outputs aligned with its objectives (Ashiru et al., 2023). Financial efficiency is a comparative measure between produced output and maximum achievable output for a given input level.

Banking efficiency assessment employs various approaches. Mutarindwa et al. (2021) observed that banks consistently improving efficiency achieved higher stock-price growth and better investment funding capabilities. Effective operating cost management also positions banks to invest and survive credit crises, especially crucial for those rebuilding capital. Ayinuola and Gumel (2023) define bank efficiency by financial characteristics, management, and ownership structure. Alabi et al. (2020) describe it as maximising outputs while minimising input resources. Thus, banking efficiency is the difference between observed and optimal input/output variable quality, with efficient banks reaching a maximum value of one, whereas inefficient banks can approach zero.

Efficiency Definition

The extent to which a firm transforms inputs into outputs in accordance with its objectives and relative productivity over time.

Financial Efficiency

A comparative measure reflecting the difference between output produced and the maximum achievable output for a given input level.

Banking Assessment

Maximising outputs while minimising input resources, with efficient banks achieving a maximum value compared to inefficient banks.

Aderibigbe et al. (2024) review how efficiency and market structure affect banking firms' overall performance (profitability and net interest margin) using the structure-conduct-performance literature. Findings show that from 1977-2005, banks' performance depended on the efficiency of banking units, not market concentration or individual firms' market power. Ngalo et al. (2023) highlight two classical functional forms dominating banking efficiency analysis: parametric and non-parametric methods. Parametric methods, which include the Stochastic Frontier Approach (SFA), Thick Frontier Approach (TFA), and Distribution-Free Approach (DFA) (Central Bank of Nigeria, 2024), involve econometric estimation of costs' parameters. The non-parametric approach, a programming technique, presents a linear frontier known as Data Envelopment Analysis (Eboh et al., 2017). It assesses whether any Decision-Making Unit (DMU) can produce more output with given inputs, or use fewer inputs for a given output. The set of entities meeting this constrained optimisation forms the data envelopment frontier (Central Bank of Nigeria, 2023).

BANK MARKETING EFFICIENCY

Marketing efficiency is defined as the ratio of marketing output to input. Marketing productivity encompasses both efficiency and effectiveness, specifically by securing loyal customers at low marketing costs and linking marketing activities to short-term and long-term profits. Market efficiency can also refer to informational efficiency, which is measured by the amount of information and the speed with which it is incorporated into prices. Furthermore, marketing efficiency can be defined using the noise rational expectations equilibrium and includes transaction costs.

Theoretically, it is argued that efficiency in the banking industry is based on the classical industrial organisational theory known as the Structure-Conduct-Performance (SCP) paradigm. This theory assumes a causal relationship running from the structure of the market to a firm's pricing behaviour, to the firm's profit, and the degree of market power. It predicts a positive relationship between market concentration and profits. According to several studies, efficiency, measured by ratios (e.g., the ratio of costs to outcome or the ratio of overheads to assets) or estimated by parametric methods (SFA) and non-parametric (DEA) approaches, improves banks' performance. The relationship between market structure and performance has been treated within the framework of the SCP paradigm. The original SCP model interprets performance as a result of the exogenous structure of the market that influences banks' conduct. It assumes that higher levels of bank concentration allow a greater degree of cooperation among them. These banks may then set higher prices and consequently gain substantial profit (Ashiru et al., 2023; Ngalo et al., 2023).

Marketing Efficiency

The ratio of marketing output to input, securing loyal customers at low marketing costs while linking marketing activities to profits.

Market Efficiency

Informational efficiency measured by the amount and speed with which information is incorporated into prices and market decisions.

SCP Paradigm

Structure-Conduct-Performance theory showing a causal relationship from market structure to a firm's pricing behaviour and profit generation.

MARKET COMPETITION AND BANK EFFICIENCY

Banking efficiency has been studied extensively (Mutarindwa et al., 2021; Iwedi et al., 2024). Estimating bank efficiency involves identifying characteristics of well-performing institutions, such as ownership, market share, and size. Most studies identify improvements following privatisation, foreign direct investment, domestic credit, special intervention funds, mergers, macroeconomic changes (inflation, interest rate, monetary policy, exchange rate), and regulatory shifts.

In Nigeria's banking industry, the bank efficiency ratio measures a bank's ability to convert resources into revenue to maximise shareholder wealth; a lower ratio is better. By 2023, the existing minimum capital size had lost 77.1% (FX) and 76.5% (real terms), leading the Central Bank of Nigeria (2023) to redefine thresholds due to macroeconomic headwinds impacting banks' risk profiles and financial positions. A 50% ratio is traditionally considered optimal. An increased efficiency ratio indicates higher costs or lower revenue. Different business models can yield varying efficiency ratios for banks with similar revenue. For instance, a strong customer service focus may negatively impact the efficiency ratio but boost net profit. Conversely, banks prioritising cost control may show a higher efficiency ratio but lower profit margins (Ashiru et al., 2023; Onaolapo & Odedoyin, 2024).

Further, banks generating more fees may concentrate on activities with high fixed costs, worsening efficiency ratios. A bank's scalability therefore affects its efficiency ratio; more scalable banks become more efficient. Thus, evaluating efficiency ratios is most meaningful among banks employing the same model, and conclusions on a 'high' or 'low' ratio should be made within this context. Stricter capital requirements and risk management regulations have pushed banks to strengthen operations, while economic fluctuations and currency volatility affect profitability and asset quality. Measuring bank efficiency is complex, especially with agency problems and stakeholder conflicts. In this environment, a unique model capturing financial and non-financial information is needed to measure bank efficiency and performance (Aderibigbe et al., 2024). While competition and efficiency of commercial banks in developed countries are well-documented, less research exists for less developed countries, particularly Nigeria. Ayinuola and Gumel (2023) examined trends in the Hungarian banking sector, noting progress in expanding competing banks, strengthening legal/regulatory frameworks, increasing managerial autonomy, and promoting private sector development. Ngalo et al. (2023) note that effective competition was constrained by market segmentation. New joint-venture banks impacted market share, but competition appears more effective in increasing the service range than lowering bank spreads. Foreign banks' impact would be greater if they could open branches or establish fully owned subsidiaries. The drawback of market competition and bank efficiency analysis is its reliance on operating ratios, which provide only a rough indication of bank efficiency.

BANK MARKET EFFICIENCY AND BANK PERFORMANCE

Nigerian banking has developed significantly in the past decade, driven by technology and effective management, leading to improved efficiency and impressive performance. The Nigerian banking market has seen substantial growth and development recently. Economic literature focuses heavily on bank performance, expressed as competition, efficiency, productivity, profitability, and concentration. This is because banks, through their financial intermediation and credit provision roles, can enhance economic growth (Central Bank of Nigeria, 2024). However, directly observing competition and efficiency is challenging due to scarce data on output prices (or credit rates) and unavailable banking product costs.

Bank shareholders are entitled to a share of profits; thus, banks must maximise shareholder wealth. Shareholders expect returns through increased share price or dividends. Therefore, banks must ensure market efficiency and performance to meet stakeholder expectations. Performance refers to an enterprise's ability to achieve objectives such as high profit, efficiency, effectiveness, quality products, a large market share, strong financial results, and survival, using relevant strategies (Central Bank of Nigeria, 2024). It also reflects an enterprise's standing in profit, market share, product quality, and expansion compared to industry peers. Consequently, it shows employee productivity in terms of revenue, profit, growth, development, and organisational expansion. Performance is linked to output quantity and timeliness, job presence/attendance, work efficiency, and work effectiveness (Central Bank of Nigeria, 2024).

The term "performance" is controversial in finance due to its multidimensional meanings (Iwedi et al., 2024). An organisation's financial strength is called financial performance (Aderibigbe et al., 2024). Financial analysis identifies a firm's financial strengths and weaknesses by relating balance sheet and profit/loss account items (Aderibigbe et al., 2024). A firm's performance must be effective and efficient to achieve its financial or operational goals. Financial performance relates to maximising profit for shareholders and on assets (Central Bank of Nigeria, 2024), while operational performance involves growth and expansion in sales and market value (Iwedi et al., 2024). Onaolapo and Odedoyin (2024) define bank performance as earnings from operations over time, signifying an excess of earnings over costs. Alabi et al. (2020) found a positive relationship between banking service marketing and bank performance in customer deposits, loans, and after-tax profit. Ashiru et al. (2023) concluded that marketing significantly and positively correlates with bank performance indicators in Nigeria, though direct and internal marketing are insignificant predictors. Ngalo et al. (2023) reported marketing's positive impact on the Nigerian banking industry's performance. Nigerian commercial banks' performance is expressed by gains from operations, services, and products. Profit is essential for attracting external capital. Mutarindwa et al. (2021) note that financial experts' investigations show a direct relationship between financial development, bank performance, and economic growth in both developed and developing countries.

MARKETING STRATEGIES AND BANK PERFORMANCE

Banks offer various financial services and products to individual and corporate customers, including bank accounts, guarantorship, advancing loans, overdrafts, discounting of bills of exchange, cheque payments, collection and payment of credit instruments, foreign currency exchange, consultancy, remittance of funds, foreign exchange trade, credit cards, ATM services, debit cards, import and export financing, home banking, online banking, mobile banking, etc. While such services are required by an appreciable number of customers, many non-financial institutions and other specialised financial institutions offer the same services in the same market.

Banks thus need to bring their products and services to the attention of potential clients by educating and convincing them of the benefits of their services as opposed to those of their rival institutions. In the 21st century, banking is no longer an entirely armchair profession where the banker dictates the market pace. It has shifted from a seller's market to a buyer's market, calling on banks to effectively monitor the environment and adequately satisfy their customers so that they can continue to operate profitably. The most important forces that have radically transformed the banking environment are globalisation and institutional, political, and economic power, while the introduction of technology cannot be underestimated, as it has digitalised the banking industry.

Customers display different dynamic behaviours in their dealings with financial services providers. In order to develop effective strategies to market their services, banks need to understand these behaviours. Various studies have sought to conceptualise marketing strategies. According to Eboh et al. (2017), different marketing strategies have different effects on organisational sales performance. Researchers have suggested that product influence has a significant impact on business performance. There are four ways in which marketing strategies can enhance companies' value creation and thus improve performance. Firstly, it can speed up cash flow through reducing customer risk and building strategic alliances. Secondly, marketing can increase cash flow through innovation and differentiation. Thirdly, marketing can build assets like brand equity. Fourthly, marketing can reduce risk by, for example, improving customer retention. It is assumed that marketing and sales can affect these issues jointly. After all, marketing and sales are jointly responsible for generating revenue and profit for an organisation (Alabi et al., 2020).

The Push and Pull Marketing Theory

According to the theory, the pull strategy is where the customer requests a solution by, for example, visiting the organisation and asking questions, rather than merely choosing a solution from those offered by the organisation. The 'Pull' strategy involves direct marketing to customers to increase demand for a product. Advertising and tie-ins with other products or services are key to this strategy. The theory posits that increased demand for a product means that consumers will demand the product from retailers, retailers will demand more of it from wholesalers, and wholesalers will demand more from the company that produces it. For the company that produces the product, this is a way to increase sales without decreasing the price of its merchandise. Since most of the costs incurred relate to advertising, using a tie-in with a related product or service can disperse the cost across companies. The ‘push’ is used to ensure that more of a product is placed in the hands of retailers and wholesalers, while advertising and tie-ins with other products are used as a ‘pull’ to get more people to buy the product.

Push marketing is a promotional strategy that businesses use to take their products to customers. The term stems from the idea that marketers are pushing their products at consumers. Common sales tactics include selling merchandise directly to customers via company showrooms and negotiating with retailers to sell the products or set up point-of-sale displays. Retailers often receive sales incentives in exchange for such increased visibility.

Pull marketing adopts the opposite approach. Soh (2025) observes that the goal is to get customers to come to you, hence the term ‘pull’ as marketers seek to pull customers in. Common sales tactics in pull marketing include mass media promotions, word-of-mouth referrals, and advertised sales promotions. From a business perspective, pull marketing seeks to create brand loyalty and keep customers coming back, whereas push marketing is more concerned with short-term sales.

BANK MARKET EFFICIENCY AND PERFORMANCE - EMPIRICAL STUDIES

Mutarindwa et al. (2021) considered empirical evidence on revenue efficiency in the Islamic banking industry in Malaysia between 2006 and 2010. The study used deposits and labour as input variables, and prices of deposits and labour as input prices. Loans and investments were considered as output variables, while prices of loans and investments were used as output prices. Their findings showed that local Islamic banks exhibited lower efficiency in revenue levels than overseas Islamic banks. In accordance with the theory of global advantage, the overseas Islamic banks displayed higher efficiency levels for all three efficiency estimates.

Onaolapo and Odedoyin (2024) evaluated the cost, revenue, and profit efficiency of 80 banks, consisting of 43 Islamic and 37 conventional banks, in 21 countries for the period 1990 to 2005. They used static and dynamic panels to analyse the average and overtime efficiency of the banks in terms of size, age, and region. Based on DEA, the authors used labour, fixed assets, and total funds as input variables and total loans, other earning assets, and off-balance sheet items as output variables. Their findings indicate that there is no significant inconsistency between the overall efficiency of the conventional and Islamic banks. The study also identified significant opportunities for greater cost, revenue, and profit efficiency in both conventional and Islamic banks. It reveals that, in general, the banks under study were better at utilising resources than making a profit, with most of the ineffectiveness identified on the revenue side.

1

Mutarindwa et al. (2021)

Investigated revenue efficiency in the Malaysian Islamic banking industry, highlighting lower efficiency in local banks compared to overseas counterparts.

2

Onaolapo & Odedoyin (2024)

Evaluated cost, revenue, and profit efficiency across 80 Islamic and conventional banks in 21 countries, finding no significant inconsistency but identifying areas for improvement, particularly on the revenue side.

Mutarindwa et al. (2021) used DEA to measure and assess the relative efficiency of banks in Jordan over the period 2005 to 2010. For Model A, the study used deposits, equity capital, and other assets as input variables, while the output variable was proxied by net income before tax. For Model B, deposits, equity, and fixed assets were defined as inputs, and net income and loans as outputs. The findings revealed that the majority of the banks in Jordan were inefficient in managing their inputs. While some were efficient for a few years, they were unable to sustain their operations, especially during the global financial crisis.

Mutarindwa et al. (2021) evaluated the performance of 55 banks operating in GCC countries over the period 2000 to 2004. The study used DEA and MPI, with loans and other earning assets as independent variables, while fixed assets, deposits, equity, and personnel expenses were proxied by the dependent variables. The findings revealed that only 15 of the 55 banks were efficient based on the assumption of CRS. Likewise, it was established that the average productivity of the banks in the GCC countries from 2000 to 2004 remained constant, while all the countries appeared to have recorded reduced productivity following technological changes.

Mutarindwa et al. (2021) used DEA to comparatively evaluate the banking system in Bahrain and banks in Singapore, Qatar, Kuwait, and the United Arab Emirates for the period 1997 to 2002. The study used personnel expenditure, fixed assets, and interest expenditure as input variables, whereas liquid assets and net loans revenue were used as output variables. The findings show that Bahraini banks were as scale efficient as Singaporean banks, followed by Qatari banks, and then banks from the United Arab Emirates. They also reveal that there is no statistically significant difference between the efficiency scores of Islamic and conventional banks.

Ngalo et al. (2023) investigated the relationships between internal marketing, customer loyalty, and business performance with respect to commercial banks in Egypt. Two broad hypotheses were formulated to link the dimensions of internal marketing with customer loyalty and bank performance. The authors developed a list of 11 internal marketing practices that can be helpful for organisations when developing a comprehensive internal marketing programme. Appropriate measures were identified, and data were collected by means of a questionnaire survey of customers and bank managers. The data were analysed using the regression statistical method. The findings indicate that internal marketing has a significant effect on the banks' performance via customer loyalty, and the authors recommend that more attention be directed to enhancing employees' performance through the adoption of an internal marketing strategy to attract and retain external customers.

Onaolapo and Odedoyin (2024) examined the effects of aspects of internal marketing on employees' organisational commitment. The research was conducted among 128 managers of Nigerian banks in the major commercial city of Lagos. Five hypotheses were formulated that link the dimensions of internal marketing, including motivation, job satisfaction, training, understanding and differentiation, inter-functional coordination and integration, and organisational commitment. The regression statistical method was used to analyse the data, and the analysis showed that inter-functional coordination and integration, training, and motivation have positive effects on the organisational commitment of employees of Nigerian banks. The authors thus recommended that more attention be directed towards enhancing organisational commitment among personnel, with a focus on the effective aspects of internal marketing.

Several studies highlight the critical role of internal marketing strategies in shaping various outcomes within the banking sector, particularly concerning employee and market orientation.

For instance, Onaolapo and Odedoyin (2024) reviewed internal marketing strategies and their relationship with customisation in banks. Employing a correlational survey research design with a sample of 143 employees and managers, their analysis using Pearson product-moment correlation revealed a positive and reasonable relationship between internal marketing actions and staff's customisation. Furthermore, they identified a significant link between internal marketing elements such as views, training, the psychological cost of learning, and customisation. The study concluded that satisfied internal customers contribute to loyalty and competitive advantage.

Echoing these insights into employee outcomes, Ngalo et al. (2023) examined the effects of internal marketing on employee satisfaction and employee word of mouth within banks. Utilising structural equation modelling, the study investigated dimensions of internal marketing including training, supervisory support, empowerment, communication, and compensation. The results demonstrated that internal marketing explained approximately 88% of the variance in satisfaction (R2=0.88), and that satisfaction and internal marketing explained about 82% of the variance in word of mouth (R2=0.82). Ngalo et al. (2023) recommended that organisations focus on educating and skilling employees to enhance customer service, emphasising concepts like customer relationship management and market orientation.

Extending beyond employee satisfaction, Ngalo et al. (2023) investigated the impact of internal marketing on the market orientation of commercial banks. The study, which utilised non-random sampling and regression statistics, found that internal marketing and organisational citizenship behaviour significantly affect market orientation. While no significant relationship was observed between organisational commitment and market orientation, the findings underscored that market orientation strategies, comprising customer orientation, competitor analysis, and task coordination, ultimately influence market performance.

In a broader context of bank performance, Mutarindwa et al. (2021) studied the internal and external determinants of bank performance during the post-financial reform period. Using regression analysis and panel data with a linear model, the study found that bank performance was positively related to capitalisation, privatisation, and quotation. Conversely, bank size, concentration index, and efficiency were negatively related to performance indicators (measured by net interest margin, LIQ, ROA, and ROE). Regarding macroeconomic factors, a favourable business cycle, quantified by GDP, was identified as enabling decision-makers to direct economic and restructuring policies towards promoting the banking and financial system's performance.

Collectively, these studies highlight the consistent positive influence of internal marketing on employee-related outcomes such as satisfaction, customisation, word-of-mouth, and broader organisational facets like market orientation and competitive advantage, predominantly within banking contexts. While some research also delves into the macro- and microeconomic determinants of bank performance, there remains a discernible gap in comprehensive empirical investigation into how specific internal marketing dimensions interact with employee commitment, service delivery, and overall bank performance within the unique operational landscape of Nigerian commercial banks. This justifies a focused inquiry into the Nigerian banking sector, building upon the established theoretical frameworks and empirical findings from other regions.

Building on the foundational understanding of bank profitability determinants, research from the Jordanian commercial banking sector provides insights. Focusing on the period between 2007 and 2012, this research meticulously examined the extent to which commercial bank performance is affected by both internal and external factors. Unlike previous studies that often segregated these factors, this analysis notably included a multivariate model integrating both internal (capital adequacy, liquidity ratio, size) and external (inflation, total assets of deposit money banks divided by GDP, stock market capitalisation to total assets) determinants. This integrated approach, which proved significant, revealed that most internal factors, barring capital adequacy and liquidity ratio, exerted a substantial impact in transformed models, alongside consistently significant external factors. This comprehensive perspective on profitability determinants from Jordan offers a robust framework for investigating similar multifaceted relationships within the Nigerian banking landscape, thereby informing our approach to analysing performance in this context.

Directly addressing the Nigerian context, research has investigated the impact of marketing banking services on the profitability of Nigerian banks from 2000 to 2012. Utilising quantitative data and econometric techniques, the study definitively demonstrated that marketing banking services - encompassing offerings such as savings accounts, current accounts, loans and advances, e-banking, payments and cash management, and treasury services - has had significant positive implications for bank profitability. The study therefore recommended the adoption of electronic banking by all stakeholders and emphasised periodic staff and customer training regarding banking services to enhance profitability. Furthermore, it underscored the role of regulatory authorities in monitoring bank charges, highlighting key areas for strategic focus within the Nigerian banking sector that align with our research objectives on operational efficiency and customer satisfaction.

Further refining the understanding of specific marketing interventions within Nigerian commercial banks, research has explored the impact of introducing new financial services on key performance indicators: deposits, profit, and sales volume. This study involved purposive sampling of seven commercial banks and administered questionnaires to 400 staff and customers. Through both descriptive and inferential statistical analyses, its findings revealed that the introduction of new financial services led to a notable 65.9% growth in customer deposits, a 54.5% growth in gross earnings, and a 35.4% increase in profit. Although this profit growth was deemed not entirely reflective of the tremendous growth declared by banks, the study unequivocally concluded that the continuous introduction of new financial services is vital for improving the performance of commercial banks in Nigeria. These findings underscore the importance of innovation in service delivery, a crucial component that our research will explore in relation to internal marketing strategies.

Collectively, these preceding studies consistently affirm the pivotal role of effective marketing in enhancing banks' performance and ensuring their sustained existence. Marketing efficiency is shown to drive banks towards greater effectiveness, operational efficiency, and resource diversification, ultimately safeguarding customer deposits, protecting shareholders' funds, boosting public confidence, and reassuring regulatory authorities about the stability of the financial system. The insights gleaned from both international analyses and Nigeria-specific investigations strongly support the premise that strategic internal marketing within the Nigerian commercial banking sector will yield positive impacts on employee commitment, service delivery, and overall bank performance. Building upon these established frameworks, our methodology will therefore precisely examine how specific internal marketing dimensions interact with these critical outcomes in Nigerian banks, expecting to reveal direct correlations that enhance both internal operational strengths and external market competitiveness.

RESULTS AND DISCUSSION

Table 1: ANOVA of Product Marketing Strategies on Bank Performance in the Nigerian Banking Sector

Model	Sum of Squares	Df	Mean Square	F	Sig.	
Regression	286.205	6	47.70	15.979*	.787b	
Residual	969.963	325	2.985			
Total	1256.168	331				

**Significant; df. = 6/325; p<0.05*

Table 1 above shows the results of a One-Way Analysis of Variance, which reveals that the calculated F-value of 15.979 is significant since it is greater than the p-value of 0.787, given 6 and 325 degrees of freedom at a 0.05 level of significance. Consequently, the null hypothesis is rejected, and the alternative hypothesis was accepted, which states that there is a significant relationship between the product marketing strategies employed by commercial banks and their performance. This finding supports earlier studies, such as the work by Ashiru et al. (2023), who concluded that financial innovation can play a crucial role in the financial performance of Nigerian banks. More specifically, Aderibigbe et al. (2024) asserted that a product marketing strategy is a fundamental tool to increase sales and achieve a sustainable competitive advantage, linking it to financial performance and intangible assets. Marketing strategy includes all basic, short- and long-term activities in the field of marketing that deal with the analysis of a company's initial situation and the formulation, evaluation, and selection of market-oriented strategies, thereby contributing to the company's goals and its marketing objectives.

The finding also aligns with the observation by Ngalo et al. (2023) that a marketing strategy can enable banks to develop a plan that ensures they offer the right product to the right market with the intention of gaining a competitive advantage, thus supporting employee performance. A marketing strategy provides an overall vision of how to correctly position products in the marketplace while accounting for both internal and external constraints. Successful product development strategies are the result of leveraging three internal elements: technical advantage and experience, marketing savvy, and a better understanding of the customer. Thus, product marketing strategies are not only for the survival of the bank but are also necessary to improve the efficiency of banking services and to build a loyal customer base.

Different product marketing strategies have different effects on organisational sales performance. There are four different ways in which marketing strategies can enhance commercial banks' value creation and, in that way, increase performance. First, marketing can speed up cash flows by reducing customer risk and building strategic alliances. Second, it can increase cash flows through innovation and differentiation. Third, marketing can build assets like brand equity. Fourth, marketing can reduce risk by, for example, helping to increase customer retention. It is assumed that at least some of these issues are such that marketing and sales can affect them jointly. After all, marketing and sales are jointly responsible for generating revenue and profit for an organisation. Furthermore, product marketing relates positively to some performance indicators, including sales performance, business unit performance, profitability, and both product development and product management performance. The purpose of marketing in the banking industry is the maximisation of banks' profit. Marketing in banking differs from marketing in the field of commodities production.

Table 2: ANOVA on Marketing Efficiency and Bank Performance in the Nigerian Banking Sector

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	152.913	2	76.913	27.439	.004b
Residual	922.060	329	2.803		
Total	1074.973	331			

Furthermore, Table 2 shows the results of a One-Way Analysis of Variance, which reveals that the calculated F-value of 27.439 is significant since it is greater than the p-value of 0.004, given 2 and 329 degrees of freedom at a 0.05 level of significance. Consequently, the null hypothesis is rejected, and the alternative hypothesis was accepted, which states that there is a significant relationship between marketing efficiency and commercial banks' performance. This finding is in line with Mutarindwa et al. (2021), who found a positive correlation between banks' performance and the level of efficiency of the banking units.

15.979

F-Value (Marketing Strategies)

Significant relationship between product marketing strategies and bank performance

27.439

F-Value (Marketing Efficiency)

Significant relationship between marketing efficiency and commercial bank performance

332

Sample Size

Bank employees from Nigerian commercial banks in the study

The finding also concurs with that of Eboh et al. (2017), who found that banks in existence for long periods were relatively more efficient than other banks in the sample, while those with poor management exhibited poor performance. On average, more banks enjoyed economies of scale during the period of consolidation than three years prior to and three years after consolidation. Furthermore, when banks recorded economies of scale in the pre-consolidation era rather than the post-consolidation period, the level of economies of scale over the period in the sector was promising. Therefore, efficiency remains an important issue in Nigeria and other developing countries to guarantee the smoothness of the monetary policy transmission process and to provide better pricing and services to banking customers. The country's banking sector comprises commercial, merchant, mortgage, and microfinance banks. These banks evolved to achieve economies of scale in order to offset the costs of collecting and processing information designed to reduce uncertainty, thereby facilitating a more efficient allocation of financial resources. In an ideal economy, banks tend to act as quality controllers for capital-seeking projects, ensuring higher returns and accelerating output. However, a competitive banking system is required to ensure that banks are effective forces for financial intermediation, channelling savings into investment and fostering higher economic growth. For instance, the Central Bank of Nigeria (2023) launched banking reforms which resulted in the number of commercial banks shrinking from 89 to 24 quoted banks through mergers, acquisitions, and recapitalisation. According to Ashiru et al. (2023), this was based on the assumption that they would be too big to fail. Some of these 24 banks were later merged by the Central Bank of Nigeria (2024) as they were found to be inefficient. At the time of the study, there were 15 commercial banks. Banks suffer from some inherent problems that may be hidden; thus, traditional performance measures provide an unbalanced picture of performance that can lead managers to miss important opportunities for improvement. This is related to the drawbacks observed by Alabi et al. (2020) that are capable of making banks technically inefficient, including: (i) ineffective personnel planning; (ii) weak corporate governance; (iii) sticking to outdated technology for banking operations; and (iv) unprofitable operations.

CONCLUSION AND RECOMMENDATIONS

This study employed the push and pull theory to explain employees' and customers' marketing behaviour, capability, attitude, and commitment to commercial banks' optimal performance; it hence adopted internal marketing objectives as mediating variables in the interplay between market efficiency and bank performance in the Nigerian banking sector. The study considers the commercial bank as an internal market with internal customers and suppliers, and satisfying the needs of these internal customers is essential for successful bank performance. The shortcomings of the push and pull theory were also discussed, and measures were suggested to overcome these limitations.

Based on a review of the relevant literature, bank performance was conceptualised as a bank's earnings from its operations in a certain period, which involves an excess of earnings over costs. The literature review showed that direct and internal marketing are insignificant predictors of bank performance in the country. However, empirical studies reveal that marketing has a positive impact on the performance of the banking industry in Nigeria. This study thus reviewed relevant literature on bank market orientation, marketing models, and marketing strategies in the banking industry in Nigeria, as well as global practice. The literature shows that market orientation is an antecedent to bank performance, internal marketing, organisational commitment, and organisational citizenship behaviour. These market orientation factors will help commercial banks in Nigeria to be flexible and respond to market changes.

Given that commercial banks serve private, commercial, and industrial customers, as well as government and international customers, product marketing strategies are essential not only for survival but also to improve the efficiency of banking services and build a loyal customer base. The chapter explored some market models as mediating variables in the relationship between market efficiency and bank marketing performance. These models have become veritable instruments employed by commercial banks to maintain and sustain their core products and services, as well as customer support services.

01

Use Study Findings

Management should utilise the findings of this study, in whole or in part, to increase their banks' market efficiency and performance.

02

Implement Internal Marketing

Management needs to have proper internal marketing strategies in place to increase employee satisfaction and retention, and attract new employees.

If a commercial bank has proper internal marketing strategies, this will trigger a chain reaction which will ultimately lead to improved bank performance.

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CONFLICTS OF INTEREST

The author declares no conflict of interest

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