

## **Effects of Sweepstakes on Growth of Deposits in National Bank Branches within Nairobi County of Kenya**

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**Abstract:** National Bank employed a sweepstake campaign in October 2013 to mobilize deposits, but the performance of the campaign has never been analyzed through a systematic approach. The objective of the study was to determine the relationship between the sweepstake and growth in deposits in National Bank. Based on Attention-Interest-Desire-Action (AIDA) model, the study used non-experimental design and employed descriptive survey, of correlation in nature to specifically establish the effects of sweepstakes on growth of deposits in National Bank. The study targeted 259 employees of the bank in branches within Nairobi County, from which a sample size of 155 employees was selected. The indicators for deposits growth were business accounts, customer transactions, customer traffic and deposits volume, while the indicator for sweepstake was the Dabolisha campaign. Data was collected using a 5-level Likert scale and was analyzed using Multiple Regression analysis model. The overall mean value for all measures of deposits growth in relation to the campaign was 3.71, which was above the neutral level (3). The correlation between sweepstake and deposits growth was 0.546 ( $R=.546$ ), and the sweepstake was statistically significant ( $sig.=.000$ ) in predicting the deposits growth. The sweepstake was therefore positively related to deposits growth.

**Keywords:** Dabolisha, Deposits Mobilization, Liquidity, National Bank, Sweepstakes

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### **I. Introduction**

Competition in the banking sector has become intense with the increased accessibility to financial services and the challenges associated with differentiation of services in general. Banks have therefore been devising different marketing strategies to overcome the competition for their survival in the industry. Sales promotion is one of such strategies that have become common in the sector [1] as evidenced by numerous ads in different media platforms. With the increased competition and high overnight interbank lending rates, the usage of sales promotion has become inevitable in the sector especially in mobilization of deposits. Deposits are critical to success of banks [2] as they form the main source of funds alongside capital funds and borrowings [3]. They therefore have the greatest impact on lending behaviors of banks [2] and their profitability. The more the deposits a bank has, the more it can lend to customers, which in most cases translates to more revenues. Deposit mobilization has therefore become common in the industry [4] as banks seek to overcome challenges associated with constant deposit fluctuations.

In most cases banks resort to short-term strategies to either cushion the adverse effects of such fluctuations, or merely reap the benefits associated with interbank overnight lending. Short term deposits are majorly mobilized through different techniques of sales promotion in form of incentives [5]. Theoretically, the incentives entice customers to open accounts, increase number of their transactions, increase traffic in banking halls and ultimately lead to general growth in deposits. However, this may not be the case always as insignificant influence may be noted in some instances.

The available literature on the effectiveness of sales promotion in banking is limited. Some studies only identify sales promotion as one of the tools used in banking [1] and others are too general as they only analyze the general effectiveness of the tool with no focus on the specific techniques employed [5]. In other industries too, most studies are general as well, as they do not analyze the specific techniques employed, but rather analyze the performance of the tools in general [6], [7]. Nevertheless, the findings have been contradictory, with some studies inferring positive while others negative or insignificant influence [8]. As inferred by [9], sales promotion only creates brand familiarity and does not create brand conviction, hence no significant influence on purchase decision. On the contrary [7] observed that sales promotion has significant impact towards consumer behavioral intentions. The lack of common viewpoint of the effects of sales promotion as highlighted by [8] could be due to factors like the specific techniques of sales promotion employed and differences in localities as suggested by [10]. It was important therefore to conduct related studies with focus on these factors. For knowledge growth

therefore the paper discussed a specific technique, unlike most of the previous studies in the banking sector whose focus was sales promotion in general.

## **II. Sweepstakes**

Sweepstake is one of the sales promotion techniques employed by banks to mobilize deposits. It is a scheme which involves a random drawing or chance contest that may or may not have an entry requirement. Prizes are allocated by chance and the winner is chosen randomly from all the valid entries [11]. The available literature on the influence of sweepstakes on sales turnover, both in banking and other business sectors is scanty and contradictory. The technique therefore cannot authoritatively be said to have either positive or negative influence in any sector. Most of the previous studies in the banking context never focused on the technique, but were rather too general and only identified sales promotion as one of the promotional tools used by banks in different countries [12], [13], [14], without even focusing on the general performance of the tool. Others only focused on the general performance of sales promotion with no focus on the effectiveness of the specific techniques employed [5], [15]. Consequently, there is a knowledge gap on the effectiveness of sweepstakes, particularly in the banking sector where none of the previous studies inferred the nature and magnitude of the influence of the technique.

The effectiveness of the technique has been covered in other sectors, but most studies observed insignificant effects on sales performance. [16], [17], [18] observed insignificant effects of the technique on purchase decisions relating to Nestle product in Nigeria, refrigerators in India and supermarket merchandise in United Kingdom respectively. This implied that the technique had no influence on sales performance of these products. A content analysis study by [19] in India further noted its fading popularity amongst advertisers, unlike other techniques whose popularity recorded growth. The insignificant influence noted in some studies could be the reason behind its fading popularity, as companies found it economically unviable to use the technique to grow their short term sales. In spite of its fading popularity and the insignificant influence observed by different scholars, companies are still using the technique, which implies a possibility of positive effects in some cases. It is therefore necessary to analyze performance of each individual sweepstake campaign in isolation, as some campaigns could be successful while others unsuccessful.

Banks in particular are still using sweepstakes in mobilization of cheap deposits despite the fact that there is no guarantee for its effectiveness. National Bank ran a sweepstake campaign dubbed as *Dabolisha* to mobilize short-term deposits in the month of October 2013. The campaign encouraged customers to place more deposits to stand a chance of getting their deposits doubled by the bank, purely by chance. Given that the effectiveness of sweepstakes in general has never been extensively covered in the banking sector, and the fact that most of the previous studies in other sectors inferred insignificant effects of the technique, it was necessary to analyze the performance of the campaign. The paper therefore analyzed the influence of the sweepstake on deposit performance in National Bank, with regard to growth in business accounts, customer transactions, customer traffic and deposit volume. The key indicator for sweepstake in the study was the *Dabolisha* campaign, which targeted business customers of National Bank.

### **2.1 Key Issue of Sweepstake in the National Bank**

Most of the previous studies on the effectiveness of sweepstakes inferred the insignificance of the technique in inducing short term sales in different organizations [16], [17], [18]. National Bank used the technique in spite of the insignificant effects inferred in the previous studies. Its deposits grew by 42% in 2013 (National Bank, 2013), but the growth may not have been necessarily due to the campaign as other promotional tools and sales promotion techniques were also used, and still, other factors like rebranding could have also had a stake. Therefore, there was need for a systematic evaluation to establish the effects of the technique, which was addressed in this paper. Most of the previous studies further did not indicate the statistical significance of the technique in predicting sales, but this paper will indicate the exact significance at 95% confidence level.

## **III. Methodology**

The study was carried out in Nairobi County and it involved a sample of 155 employees from a total population of 259 employees in the bank's branches within the county using the Fisher's sample size formulae in Equation 1. The sample elements were selected using simple random sampling technique.

### **3.1 Research Design**

The study was a quantitative research and it used non-experimental design and employed descriptive survey of correlation in nature to explain changes in deposits as a result of the *Dabolisha* campaign, as well as draw the necessary inferences on the effects of the campaign. Data was collected using self-administered survey method to ensure non- interference with respondents' working hours as their job is usually demanding, in addition to cutting down on the cost of collecting data. A 5-level Likert scale, where 5 was the most favorable

while 1 the most unfavorable response, was used to solicit information from respondents on their opinion on the movement of deposits during the *Dabolisha* campaign.

Both descriptive and inferential statistics were used. Descriptive statistics were used to explain the overall movement in new accounts, customer traffic, transaction and deposit volume during the campaign period. The data analysis techniques used for descriptive purposes were percentages and mean. Inferential statistics, mainly multiple regression analysis was on the other hand used to establish the relationship between sweepstake and deposits growth, as well as the statistical significance of the former in predicting the later, for the purpose of drawing inferences on the effects of the technique. The data analysis technique is summarized in table 2.

### **3.1.1 Variables**

The independent variable of the study was sweepstake and its indicator was the *Dabolisha* campaign. The campaign directly targeted business customers and the study sought to establish its ability to mobilize deposits in National Bank. On the other hand, the dependent variable was deposits growth, whose key indicators were growth in accounts, customer transactions, and customer traffic and deposits volume. The study is summarized in Figure 1.

### **3.2 Research Instruments**

Primary data was collected using self-administered questionnaires to the bank employees. The instruments were left with the employees to fill them on their own. Questionnaires were deemed suitable for the study as they gave employees freedom to fill them at their convenience, given their busy schedules and the fact that their free time could sometimes clash with the researcher's free time. They also enabled collection of data from a fairly large number of respondents within a limited time frame at minimal cost.

The questionnaire was designed to collect data on the respondents' opinion in relation to changes in accounts, transactions, traffic and deposits volume as a result of the sweepstake. The reliability of the instrument was assessed using Cronbach Alpha. Reliability test was ran using SPSS software and the results in Table 1 were obtained, where the Cronbach coefficient was 0.764 (Equation 2). This was above the Nunnally's recommended minimum of 0.7 [20], hence the questionnaire was reliable. The validity was on the other hand determined based on the researcher's and supervisors' judgment, in line with [21] assertion that the validity of a measure is assessed by use of expert in a particular field.

### **3.3 Results**

To establish relationship between the sweepstake and growth in deposits, opinion of respondents on the following items relating to the *Dabolisha* campaign (sweepstake) was sought using a 5-level Likert scale (where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree) and the results were as in the Table 3. The results in the table revealed that 4.1% and 8.1% of respondents strongly disagreed and disagreed respectively that the campaign led to growth in accounts, translating to a cumulative unfavorable response of 12.2%, while 70.7% and 6.5% on the other hand agreed and strongly agree respectively making a favorable response of 77.2%. The mean response was 3.67 which was above the neutral level (3); hence the campaign had positive influence on growth in accounts. On growth of customer transactions, 2.4% and 6.5% strongly disagreed and disagreed respectively making a cumulative total of unfavorable response at 8.9%, while the total cumulative favorable responses on the other hand was 75.6%, where 68.3% agreed and 7.3% strongly agreed. The mean value of the responses was 3.72, which was above the neutral level, implying a general positive influence of the campaign on customer transactions.

In respect to growth in customer traffic, the mean value of 3.71 (above the neutral level) implied a positive influence of the campaign on customer traffic. This was further supported by cumulative unfavorable responses of 9.7% where 1.6% strongly disagreed and 8.1% disagreed, which compared unfavorably to favorable cumulative percentage of 77.3% where 72.4% agreed and 4.9% strongly agreed. The results further revealed that 80.5% of the respondents generally believed the campaign led to growth in deposits volume with 73.2% agreeing and 7.3% strongly agreeing. The mean value for the responses on the influence of the campaign on deposits volume was 3.73, implying a positive influence of the campaign on growth of deposits volume.

From descriptive statistics the campaign led to growth in accounts, customer transactions, and customer traffic and deposit volume. The overall mean value for all variables in relation to the campaign was 3.71. It was therefore deduced that the campaign led to growth in deposits in the bank.

Using the regression model in Table 4, relational coefficients were obtained and tested. Test for the coefficients was meant to define the direction of the relationship between the independent variables (sweepstake, sales staff contests and non-sales staff contest) and growth in deposits. The results in the Table 5 were obtained. Table 5 provided information necessary to predict deposits growth from sweepstakes, sales staff contests and non-sales staff contests (independent variables), and determine their contribution to the model were

statistically significant. From the table, regression coefficients for sweepstakes, sales staff contests and non-sales staff contests were 0.547, 0.392 and 0.033 respectively. Since deposits growth was a function of sweepstakes, sales staff contest and non-sales staff contest as shown in equation 3, the regression model shown in equation 4 was developed. However, sales staff contest and non-sales staff contests were beyond scope of this paper. The results in Table 6 indicated a correlation coefficient of 0.547 between sweepstake and deposits growth. This implied that a unit change in sweepstake led to 0.547 units growth in deposits. The sweepstake was statistically significant (sig.=.000) in predicting deposits growth, hence the change in deposits was not by chance. Usage of sweepstake would therefore lead to deposits growth, and the paper deduced that the two are positively related. The technique was therefore effective in deposit mobilization and significantly contributed to the 42% growth in deposits in 2013.

**3.4 Discussion**

The study found that a unit change in sweepstake led to 0.546 units growth in deposits, and the technique was statistically significant in explaining growth in deposits in the bank (sig. =.000). The technique was therefore positively related to sales growth. This to some extent was agreeable with the findings of [5] where positive relationship between sales promotion in general and sales of financial services was inferred. It was also agreeable with the assertion that sales promotion is an important tool in promotion of bank services [1]. The findings of [5] and [1] were however too general as they did not give the specifics of individual techniques employed, yet the effects of different sales promotion techniques may vary. This paper unearthed the effects of sweepstakes in isolation and found positive relationship with deposits growth.

The findings of the study however contradicted the findings of [15] where no promotional tool had influence on growth of deposits. Their findings rather identified bank size, number of branches and years of operation as the main determinants of deposits growth. Based on the findings of this study, as well as those of [5] and [1], the findings of [15] may not hold since the bank size, number of branches and years in operations may not necessarily translate to more deposits. However, the differences in findings could have been due to differences in localities among other factors as suggested by [10].

The findings were both agreeable and disagreeable with findings in other business sectors. They were agreeable with the study of [22] which found all sale promotion techniques to have positive influence on sales volume in manufacturing sector in Nigeria. They were however contradictory to most studies in other sectors where insignificant influence of the technique was inferred. Apart from [22] who found all sale promotion techniques to have positive influence on sales volume, other studies inferred insignificant influence. The technique had no influence on sales growth in beverage industry in Nigeria [16], sales of refrigerators in India [17], and supermarkets merchandise in United Kingdom [18]. Given that the technique was found to have significant influence in this study, it could therefore not be generalized as either effective or ineffective, hence each sweepstake campaign should be planed and analyzed in isolation. The differing effects of the technique could be due to differences in localities [10], hence it was be important to study the technique with locality in focus.

**IV. Equations**

- (1) Fisher’s Sample Size formulae:  $n = \frac{z^2pq}{d^2}$ ,  $nf = \frac{n}{1+(n/N)}$
- (2) Cronbach’s Alpha = 0.764.
- (3) Regression Deposits Growth {Y= f(X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub>)}
- (4)  $Y = 0.269+0.547X_1+ 0.392X_2+0.033X_3+0.208$   
(Where, Y represented Deposits Growth, X<sub>1</sub> Sweepstake, X<sub>2</sub> Sales Staff Contest, and X<sub>3</sub> Non-Sales Staff Contest)

**V. Tables**

**Table 1: Cronbach Reliability Statistic**

Cronbach's Alpha	N of Items
.764	14

**Table 2: Data Analysis Matrix**

Objective	Type of Data	Measurement	Data Analysis Technique
1. To determine influence of sweepstakes on growth of deposits in National Bank.	Interval	Likert-Scale	Percentages Mean Regression Analysis

**Table 3: Changes in Deposits as a Result of the Sweepstake**

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Mean
Customer opened more accounts during the <i>Dabolisha</i> campaign	F	5	10	13	87	8	123	3.67
	%	4.1	8.1	10.6	70.7	6.5	100	
Customer transactions increased during the <i>Dabolisha</i> campaign	F	3	8	19	84	9	123	3.72
	%	2.4	6.5	15.4	68.3	7.3	100	
Customer traffic increased during the <i>Dabolisha</i> campaign	F	2	10	16	89	6	123	3.71
	%	1.6	8.1	13.0	72.4	4.9	100	
Deposits grew during the <i>Dabolisha</i> campaign	F	4	10	10	90	9	123	3.73
	%	3.3	8.1	8.1	73.2	7.3	100	
<b>Overall mean</b>								3.71

**Table 4: Regression Model Statistics Summary**

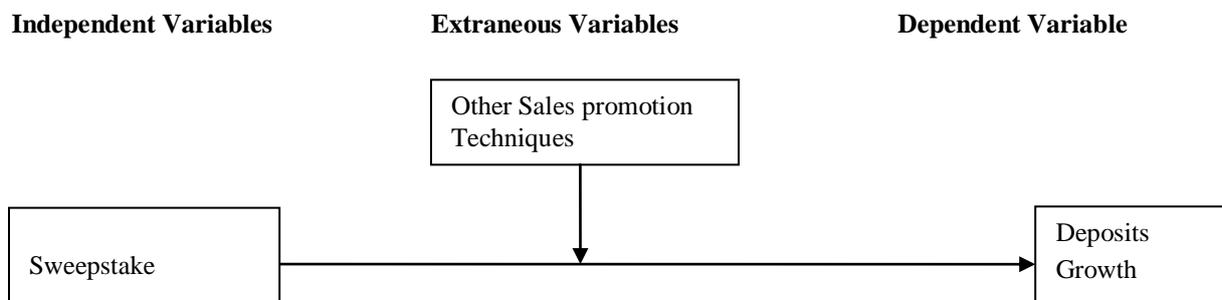
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 <sup>a</sup>	.745	.739	.28623

a. Predictors: Constant, Sweepstakes, Other Sales Promotion Techniques

**Table 5: Coefficients for Regression Model**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.269	.208		1.298	.197
Sweepstakes	.547	.037	.694	14.899	.000

## VI. Figures



**Figure 1: Interactive forces to bank Deposits Growth**

## VII. Conclusion

The paper discussed a specific technique of sales promotion unlike most of the previous studies which analyzed sales promotion in general. From the findings the sweepstake led to growth in accounts, customer transactions, traffic and deposits volume, with a unit change in sweepstake leading to .546 units growth in deposits. The campaign was further statistically significant (sig.=.000) in prediction of growth of deposits. Consequently, the sweepstake was positively related to deposits growth (R=.547) and it was therefore effective in deposit mobilization in National bank. The sweepstake therefore contributed significantly to the 42% growth in deposits in 2013.

The paper was only limited to National Bank's branches within Nairobi County, hence it could neither be generalized for the entire bank nor the banking sector in Kenya. The paper recommends for similar studies in other counties and commercial banks, as well as studies on the other techniques for knowledge growth in the banking sector. It also recommends that future studies on sales promotion in all business sectors to be conducted with focus on the specific techniques employed.

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