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Innovative Marketing and Financial Performance in the Banking Sector of Lesotho

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2023
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Nonyane, Motsieloa Alexander. (2023). Innovative Marketing and Financial Performance in the Banking Sector of Lesotho [Master's dissertation, University of the Witwatersrand, Johannesburg]. WireDSpace.

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Innovative Marketing and Financial Performance in the Banking Sector of Lesotho

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management in Strategic Marketing

Supervisor: Neale Penman

Wits Business School

Johannesburg 2023

ABSTRACT

Purpose

The purpose of this research was to investigate and to test innovative marketing and perceptions of the financial performance of commercial banks in Lesotho. The study was situated within the strategic marketing management discipline.

Study Design/Methodology/Approach

The study involved an online questionnaire-based survey of 18- to 60-year-old customers of commercial banking services in the banking sector of Lesotho. The constructs of the study were marketing orientation, marketing innovation, customer satisfaction, customer loyalty and financial performance. A total of 141 responses were received and were subjected to Structural Equation Modelling (SEM), applying SMART – PLS.

Findings

The results showed that marketing innovation had a positive impact on financial performance of commercial banks of Lesotho. It was also revealed that customer satisfaction: 3Ps had a positive impact on financial performance of commercial banks in Lesotho. Moreover, customer loyalty had a negative impact on the financial performance of commercial banks of Lesotho.

Originality/Value

The study had practical implications for marketing managers of commercial banks in Lesotho to identify and implement marketing innovation strategies that improve positive perceptions of financial performance.

DECLARATION

I, Motsieloa Nonyane, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the Field of Strategic Marketing at the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Motsieloa Nonyane

Signed at ..**MASERU, LESOTHO** ……



DEDICATION

I dedicate this study project to my beloved wife, Mothepane Makintane-Nonyane, and my children, Nonyane and Bokamoso, for being so understanding and supportive during my study period.

ACKNOLEDGEMENTS

I would like to acknowledge the consumers and customers of various banks covered in this research for their acceptance to share the essential information without which this major piece of work would not have been achieved.

My sincere gratitude goes to Metropolitan Lesotho for providing the financial support necessary for completion of the academic programme, including this study.

Special thanks go to my supervisor Ntate Neale Penman who patiently guided me through the entire project.

To my colleagues in the MMSM class for their valuable encouragement, sharing of information and suggestions. We have indeed pursued the Edge together!

To my seniors who helped me with the inspiration to pursue the course and somehow continue to see potential in me, I say, Molati Nonyane, Mme Mamello Phomane, Prof. Mhango Mtende, Bontate Nkekeletse Makara and Kelello Rametse, thank you.

My friends and colleagues – appreciate the love, support, and encouragement you extended throughout this journey.

To individuals who supported me during data collection, completion of the questionnaire, data analysis process and formatting of this research report, gratitude.

Finally, I thank the Creator, who renewed my strength and gave me grace through the entire course.

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CHAPTER 1 - INTRODUCTION

1.1 Introduction and Purpose of the Study

Marketing professionals and leaders are under pressure to demonstrate the value of marketing practice to firm's financial performances (Majed Khalil, 2019). In other words, there is the need for the Marketing fraternity to demonstrate how applied marketing strategies are creating benefits for the business in more financial terms. Marketing innovation or innovative marketing has been the practice in the modern world that has helped marketers improve marketing strategies in ways that are effective in delivering financial objectives (Wang, Hong, Li, & Gao, 2020). Yet, this situation requires that there is empirical evidence provided to give CEOs in the emerging markets the confirmed confidence that such relationships do exist (Afriyie, Du, & Ibn Musah, 2019).

It is therefore the purpose of this research to investigate innovative marketing and the financial performance of banks in Lesotho. The topic is situated within the strategic marketing management discipline (Purchase & Volery, 2020). The marketing innovation construct furthers research in marketing strategy (Cascio, 2011). This report sought to positively mention marketing innovation constructs (O'Dwyer, Gilmore, & Carson, 2009) in modern literature captured in an emerging context (Afriyie, Du, & Ibn Musah, 2019).

This current study also pursued to recognize the contribution of innovative marketing as was in (Kolapo, Mokuolu, Dada, & Adejayan, 2021) for further examination of its influence on financial performances of commercial banks in Lesotho where financial inclusion is an economic challenge for the country.

1.2 Context of the Study

The Kingdom of Lesotho is a small, mountainous (World Bank, 2022), country that sits high above sea level (Secretariat, 2022) surrounded by South Africa (Baumgartner,

2022). According to the World Bank, Lesotho has a population of about 2.2 million, classified as a low-income country (Baumgartner, 2022) on a nominal gross domestic product (GDP) per capita of $1,091 in 2021 (World Bank, 2022). It is reported that most of the country's population lives on the lower land to the west (Secretariat, 2022), and, according to the latest MAP FinScope Survey, only 39% of adults (18+) were banked in 2021 in Lesotho which was only one percentage (1%) point more than in 2011 (Hawthorne, 2021).

Lesotho's economy is closely linked with that of South Africa (World Bank, 2004). It is also opined that the link with South Africa makes it unsurprising that Lesotho has a high degree of financial integration with South Africa (IMF, 2016). This integration includes sharing a currency under the Common Monetary Area (CMA) as per (IMF, 2016), as well as the exchange rate and monetary policy, partially integrated capital markets and payments systems (UNCDF, 2022). According to ITA (2022), the banking market structure of Lesotho is made up of the Central Bank of Lesotho (CBL) and commercial banks.

There are four (4) commercial banks that serve the majority of Basotho when accessing formal financial services (CBL, 2013). The CBL (2013) continues to outline that the formal financial sector is bank-dominated (ITA, 2022). Three out of the four banks are subsidiaries of the South African banks (Standard Lesotho Bank [SLB], First National Bank Lesotho [FNBL] and Nedbank Lesotho (Nedbank) and the other is a government-owned Lesotho Post Bank (LPB) (CBL, 2013). These banks are purported to hold 50 percent of the total assets from the financial system, according to the International Monetary Fund (IMF, 2016).

Commercial banks in Lesotho serve approximately 38% of the adult population through 44 branches (CBL, 2013), offering a comprehensive and composite range of offerings and services through these branches and electronic banking infrastructures (ITA, 2022). It is identified that the banking industry of Lesotho is highly concentrated and is perceived to be uncompetitive (Moshoeshoe & Thokoa, 2021).

It is suggested that a commercial bank is a financial institution that provides services, such as accepting deposits, giving business loans and automobile loans, mortgage

lending, and basic investment products, like savings accounts and certificates of deposit (Ngumi, 2013).

According to Sime, Lemmie, and Gutu (2020), the difference between commercial and investment banks is that commercial banks only engage in banking activities, whereas investment banks are limited to capital market activities.

The same authors Sime, Lemmie, and Gutu (2020), present in their work a comprehensive product and service outline that commercial banks to markets, by their mere make up.

The CBL supervises and regulates the financial sector of Lesotho (World Bank, 2004), amongst other objectives, and ensure the promotion of financial inclusion in the country (Baumgartner, 2022). This is wholly justified by the notion that the development of the national economy heavily depends on the capacity of its banking sector (Kolapo et al., 2021). To which the CBL (2013) suggests a few policy changes that seek to promote innovations, both financial and marketing, in Lesotho in order to achieve the financial stability mission. According to the same authors, innovation can help explain the demands of the financial services landscape (Siano, Raimi, Palazzo, & Panait, 2020).

Through reflection, the financial landscape across Africa is rapidly changing (Beck, Senbet, & Simbanegavi, 2015). This evolution is brought into perspective by Yusheng and Ibrahim (2020), in that innovation, within these rapid changes and challenges in financial inclusion and stability, is gaining ground and is playing a significant role in an increasingly competitive and dynamic banking sector. In other words, innovation within the African banking sector is enabling improved access to financial services by consumers (Beck et al., 2015). It is through innovative instruments such as electronic-based banking services and how they are marketed, that the performance of banks is improved (Akhisar, Tunay, & Tunay, 2015). To this effect, Chen (2006) argues that the development of new marketing tools and methods plays an important role in the evolution of industries.

The argument that promotes relevance in this study suggests that for banks to be successful and obtain stability in competitiveness and performance, the same should seek both new opportunities and be highly innovative (Yusheng & Ibrahim, 2020). In other words, banks can achieve financial performance when they practice marketing innovation – the process of innovating ideas, products and services (Yusheng & Ibrahim, 2020).

1.3 Problem Statement/Research Questions, Research Objectives and Research Hypothesis

1.3.1 Main Problem

Theoretical Context:

Marketing innovation is seldom studied as a driver of firm performance (Peng, Qin, & Tang, 2021). To this effect, marketing executives, often; have trouble understanding the nature of marketing innovation, more so to the antecedents, and consequences of the construct (Purchase & Volery, 2020).

Past studies have focused on technology innovations, treating marketing innovation as an oversimplified unidimensional construct, and most marketing innovation studies have been descriptive (Tang, Zhang, & Peng, 2021). Put differently, (Tajudeen Kolapo et al., 2021), such past research on innovation has been conventional in focus, which offers an incomplete and superficial feedback on marketing strategy toward the improvement of marketing literature, especially around the banking industry.

According to Nwachukwu and Vu (2022b) there is a scarcity of studies on marketing innovation and customer satisfaction, especially in microfinance banks. This therefore calls for more research on innovation in services and customer satisfaction, especially in Africa (Nwachukwu & Vu, 2022b). In addition, there is a scarcity of research focusing on Africa as a geographic location (Purchase & Volery, 2020).

Consequently, the main problem is that there is generally a lack of systematic investigation (examination) which marketing innovation strategies commercial banks should choose and how they can implement them more effectively (Wang, Hong, Li, & Gao, 2020) to deliver financial performances.

The other crucial dimension is the issue of firm performance, where, according to Pimmpnarnar Roongchirarote and Zhao (2017), scholars have found it difficult to determine the definition and agree to its measurement, as a construct. Key to this domain, at the least, is that it is established that there is a positive relationship between marketing innovative activities and firm or business performance (Pimmpnarnar Roongchirarote & Zhao, 2017).

The Main Problem:

Therefore, the gap the research seeks to solve is that marketing innovation, as an influence of consumer perceptions of financial performance in context of commercial banks within an African emerging market of, Lesotho; is yet to be investigated.

The Research Question:

The overarching research question is which innovative marketing strategies and practices function to influence perception of high financial performances of Lesotho commercial banking for purposes of increasing customer satisfaction and loyalty.

1.3.2 Sub-problems

The first sub-problem is to determine which innovative marketing strategies commercial banks in Lesotho should choose to drive financial performance.

The second sub-problem is to discover how the same banks can implement marketing innovation strategies effectively to influence a positive perception of their financial performances.

1.4 Significance of the study

The study fills the gap in that innovative marketing constructs need to be positively mentioned in modern literature in an emerging market context. This is because marketing strategy is central and pivotal in marketing theory which serve to explain firm performance (Morgan, Whitler, Feng, & Chari, 2018), particularly in emerging economies (Samiee & Chirapanda, 2019).

A focus on emerging markets is relevant since the growth of emerging markets offers great opportunities to develop or discover new theoretical perspectives and practices in marketing (Fregidou-Malama, Chowdhury, & Hyder, 2019). Peng et al. (2021) offer examples of these theoretical perspectives which are not limited to analysis of the effects of marketing innovation on firm performances as well as the development of models to explain the dynamics of marketing innovation and firm performance under different market environments.

Marketing strategists working in banks as marketing managers, specialists, chief marketing officers (CMOs) and chief executive officers (CEOs), as well as digital banking professionals stand to benefit from this study. The other group involves financial service players in insurance, payments, and micro-lending sectors on modalities necessary to achieve financial inclusion through innovative marketing strategies. The consultancy groups or individuals coming into Lesotho to study innovation against future research needs shall find value in the insights provided by this study.

1.5 Research Objectives

This was a measurement study. This means the study asks and functions to achieve the following research questions and/or objectives:

Primary Objectives:

1. Investigate and test how to measure innovative marketing strategies of commercial banks in Lesotho.

Secondary Objectives

2. Investigate and test how to measure perceptions of financial performance of commercial banks in Lesotho.

1.6 Delimitations of the Study

- This survey was focused on commercial banks in Lesotho.
- This study further focused on understanding the relationships between constructs that have been already tested in other literature contexts but are yet to be tested in emerging economies and in particular, Lesotho.
- The study was also interested in quantifying perceptual relationships between measured constructs for marketing strategy influences.

1.7 Definition of Terms

1.7.1 Marketing Strategy

Marketing strategy, as opined, is that it is a construct that on top of the list in the field of strategic marketing (Morgan et al., 2018). Morgan el al., (2018), insist that the practice of strategic marketing is defined as an organization's federated pattern of decisions that specify its crucial choices.

1.7.2 Marketing Innovation

Marketing innovation is found and followed in the Oslo Manual (2005). Other thoughts suggest that marketing innovation is an implementation of new marketing practices that tend to involve major changes in the design, packaging, distribution, promotion or pricing of a product or service (Purchase & Volery, 2020).

1.7.3 Marketing Orientation

Marketing orientation is a firm-specific intangible resource that can help businesses to realize value (Fatoki, 2019). Marketing orientation allows a firm to obtain information about customers, suppliers, and technological and environmental trends (Fatoki, 2019).

1.7.4 Perceptions of Financial performance

There is a hard and soft definition of financial performance. Put differently, financial performance statements can be divided into two measurement articulations, one is referenced by an indiscrete value-system while the other is demonstrated by perceived performance (Baek, 2014). The hard definition relates to one using indiscrete financial performance indicators such as cost per production units, cost per budget and the earnings rate index (ERI), market share, such as sales growth rate, Return of Assets (ROA), ROE (Return on Equity), and EPS (Earnings per share) (Baek, 2014). Whereas the latter is explained through customer perceptions as per the below.

1.7.5 Customer Perceptions

Customer perception relates to the general experiences, feelings, and sense of value through mental assessment of benefits from the use or preference of a banking service (Liang, Wang, & Dawes Farquhar, 2009). The same authors (Liang et al., 2009) suggest that the bank has to implement some strategies or undertake some activities in the attempt to generate as much positive customer perception as possible. According to McColl-Kennedy, Zaki, Lemon, Urmetzer, and Neely (2018), customer perceptions form part of the linkages models use to identify the influence of specific firm marketing actions on overall customer assessments.

1.7.6 Customer Satisfaction and Loyalty

Customer satisfaction ought to be justified by two types of perceptual theories, according to Belás and Gabčová (2016). On one hand there are cognitive involvements which compare the marketing circumstances with a specific standard and on the other hand are emotive involvements (Belás & Gabčová, 2016). When much effect and impact has been achieved on both cognitive and emotive involvement

of a customer, the same develops into a loyal customer, which is quite healthy and profitable for business (Evanschitzky et al., 2011).

1.7.7 Firm/Bank Size

It is provided that the size of the firm supposes a direct influence over the firm's competitive power and, therefore, it eventually affects the financial performance of such firm (Bigliardi, 2013). Nieves & Diaz-Meneses, (2016) suggest that firm size, as a notion, is somewhat matched to perceptions of company performance.

Although, according to Nieves & Diaz-Meneses (2016), it is claimed that firm size is the count of employees of a firm. Therefore, the difference in innovation between large corporates to SMME ventures is interesting (Ungerman, Dedkova, & Gurinova, 2018). The same authors (Ungerman et al., 2018) found that corporates tend to place more value on the impacts than SMME.

Bank size and profitability are generally considered to be positive in relationship terms, suggesting that a larger size should naturally allow a financial institution to obtain economies of scale; in this respect, various studies can then be differentiated (Tomuleasa, 2014).

1.8 Assumptions

The use of secondary data was considered. Information that is readily available are the financial statements since all the commercial banks in Lesotho are bound to publish these each year to the public. This also means that a mixed research approach may be considered whereby questionnaires may have to be administered to gather data from customers of these targeted banks across their different branch networks.

The research data analysis process was anticipated to take longer than common, since the measurements of constructs seem a bit too technical. Therefore, enough time for appreciation of the measurement frameworks and the requisite statistical tool was assumed. This implied that the respondents might not have enough knowledge

in the areas of innovative marketing to be able to have enough interest and to answer the sample questions.

1.9 Research Questions

The overarching research question is which innovative marketing strategies and practices function to influence perception of high financial performances of Lesotho commercial banking for purposes of increasing customer satisfaction and loyalty.

1.10. The Flow of the study

This section represents the workflow followed when the study was conducted. Figure 1 graphically depicts the chapters covered within the current study.

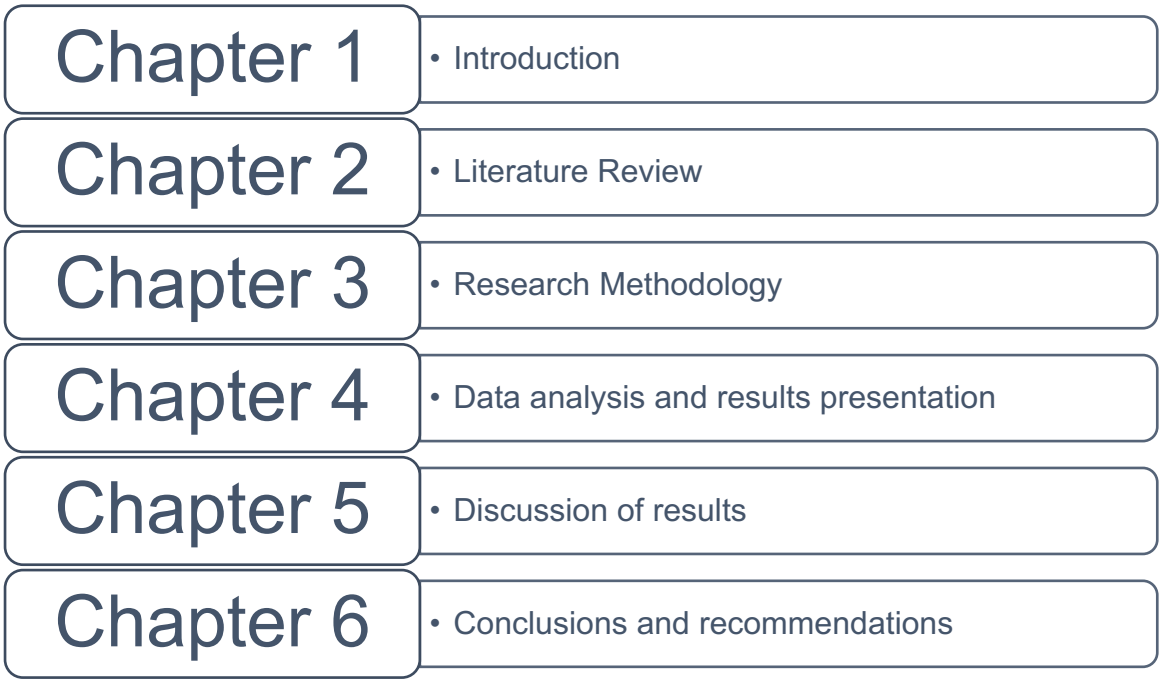


Figure 1: Flow of the study

1.11 Summary of Chapter 1

This chapter introduced the study. The research topic was introduced; the purpose as well as the conducting of the same. Relevant concepts were defined. Delimitations

and assumptions were outlined, as well as research objectives and questions. The chapter is about innovative marketing practices and how these can be used to create positive perceptions of financial performance by commercial banks in emerging markets, Lesotho being the focus context.

CHAPTER 2 – LITERATURE REVIEW

2.1 Introduction

This literature review section begins with discussions upon which the theoretical perspectives of the study are grounded. This is followed by an empirical review where the research constructs and variables for this study are discussed, namely, marketing orientation (MO), marketing innovation (MI), Customer Satisfaction (CS), Customer Loyalty (CL) and Financial Performance (FP), respectively.

2.2 Definition of Topic or Background to the problem

The focus of this study is to investigate how marketing innovation influences perceptions of the financial performance of commercial banking sector in Lesotho. Marketing Strategy (Morgan et al., 2018), otherwise implemented as Marketing Mix theory (Dadzie, Amponsah, Dadzie, & Winston, 2017), is found to correlate with the constructs of this study and therefore shall form the anchor theory to this study.

This section defines and discusses the background of the study topic by unpacking the antecedent and consequent variables within the marketing-finance relationship. The first perspective shall be marketing innovation (MI), followed by Financial Performance (FP).

2.2.1 Marketing Innovation Perspective – Marketing Mix Theory

Background

This section defines the independent variable within the marketing-finance literature to giving the literature background. This is guided by Purchase and Volery (2020), who insist that the majority of authors define marketing innovation as new marketing methods, involving either the 4Ps of marketing or some combination thereof. Indicatively, studies that demonstrate the focus on marketing innovation involve key elements of marketing strategy as well as practice (Purchase & Volery, 2020).

Ungerman et al. (2018) share similar thinking where marketing innovation is part of a marketing concept and strategy that is significantly different from the original marketing methods. In support, Gupta, Malhotra, Czinkota, and Foroudi (2016) narrate explain marketing innovation as the foundation of a new idea. Hence, strategic innovative marketing, as an unorthodox innovation platform, is understood to be the delivery of fresh marketing protocols focused on major alterations over a firms' marketing mix strategy; not limited to design thinking, product introductions, placement of solutions, promotion of positioning and messaging, and pricing of value propositions (Tajudeen Kolapo et al., 2021), Whereas policy makers imagine the construct of innovative marketing as a singular item if not one within a global innovation class, as was explained in Purchase and Volery (2020). OECD, 2005; (2018) redirect researchers in this field to pronouncements made herein the Oslo Manual.

The latter is the most cited definition of innovative marketing construct, acquired from the Oslo Manual of 2005, which states that the marketing innovation is execution of new marketing methods and practices that involve major changes in the design, packaging, distribution, promotion or pricing of a product or service (Purchase & Volery, 2020). This notion is widely supported.

New ideas and methods

Ungerman et al., (2018) suggest that marketing innovation, as another element of innovation is understood as when practitioners implement initiatives that are fundamentally introducing new ideas, products, services, or technologies, based on market-based dispositions. These market-based ideas stemming from a variety of customer desires as was emphasized in Chen (2006); that such development of new marketing tools and methods plays an important role in the evolution of industries.

Moreover, Purchase and Volery (2020) reiterate that marketing innovation is explained as the implementation of new marketing practices involving significant changes in the design, distribution or pricing of a product or service. In other words, it may be considered that marketing innovation is part of the business method innovations, which also include financial innovation (Chen, 2006).

Marketing Mix Efficiencies

According to Ungerman et al. (2018), innovative marketing is based on six functions of the marketing mix theory, which are not limited to design or packaging of the offering, placement of the offering, channel of communication and messaging, product promotion or pricing strategies, approach to market, in terms of go to market tactics, as well as product and service delivery.

It is claimed that marketing managers often have challenges in understanding the nature of innovative marketing, and to its causal relationships (Purchase & Volery, 2020). It is however, recommended in Nieves and Diaz-Meneses (2016) that the frame ordinarily applied in measuring marketing innovation is well found within the OSLO Manual for ease of reference (OECD/Eurostat, 2005).

Other studies describe innovative marketing as a technique enabling management to efficiently use limited resources in pursuit of competitive advantages (Gupta et al., 2016). In the same bracket, it was discussed in Sánchez-Gutiérrez, Cabanelas, Lampón, and González-Alvarado (2019), that innovative marketing speaks to the process practiced by a business to marry the product to unique customers' specific needs, then serve to upgrade its capabilities as well as innovation in customer treatments, while remaining aware that all sorts of perspectives ought to be in harmony with realities of its employees and what they are inherently capable of.

On capabilities and according to Ramirez et al., (2018), innovative marketing capability is better explained as a new commercial strategy that is profusely demonstrating incredible improvements in product design or, new techniques, in the packaging of the offerings, or channels for promotion of the product, new methods for positioning the product in the very operating market or sales channels relevant for push and pull strategies, as well as new methods to setting the price of solutions for margin and growth imperatives.

In as far as Ungerman et al. (2018) is concerned, marketing innovation plays an equally strategic role as product innovation, although Chen (2006) argues that the incentives and effects of marketing innovation differ markedly from those of product or process innovations.

Marketing innovations assert better understanding of customer needs than other commitments (Ungerman et al., 2018). Critical to note (Purchase & Volery, 2020) is that the concept of marketing innovation is predominantly combined with the domineering technological intensity characterizing both product and service innovation systems. We are reminded of the famous argument by Peter Drucker in 1954 by Purchase and Volery (2020), where it was translated that marketing discipline and innovation practice work together to generate results, while all the rest of the business produces costs, In effect.

The following are touted in Purchase and Volery (2020) as evidence of marketing innovation. These innovations include major alterations in the design and packaging of products, fully recyclable or compostable packaging, new media, or techniques for product promotion, as well as new methods for product distribution and even new ways of pricing offerings, (Purchase & Volery 2020). These examples embody the marketing mix characteristics.

Customer Engagement

According to Purchase & Volery (2020) users and consumers of a firm are considered a strategic component and structure within innovative marketing universe. Marketing innovation is a key to customer value creation (Sánchez-Gutiérrez et al., 2019). Innovative marketing that is strategic in nature by banks tends to affirmatively affect customer satisfaction results through accelerated product and service quality experiences. Marketing innovation strategies are designed upon a management philosophy that seeks to put customers first and satisfy them through continuous repeats, this promotes that innovative inklings are found essential to ensuring customer satisfaction indexes and retention scores of businesses (Tajudeen Kolapo et al., 2021).

To this effect, the success of a properly executed innovative marketing idea largely depends upon its ability to work homogeneously and harmoniously within a local ecosystem or environment (Gupta et al., 2016).

There are noteworthy solid impacts of both the revolutionary and substantially incremental innovations (Ungerman et al., 2018). According to Purchase and Volery (2020), innovative marketing is labelled radically necessary for new products or services to be successful in the marketplace, as they are introduced. It is relevant that Tajudeen Kolapo et al. (2021) found that banks innovate either in revolutionary or in incremental means or by both by establishing new offerings, reimagining existing solutions, creating new and improved distribution outlets, as well as discovering new disciplines to how they manage.

2.2.2 Financial Performance Perspective – Resource-based theory

Background

This section introduces and details the dependent variable in the framework upon which the marketing-finance relationship is being examined.

It is opined that financial performance, as a construct; is considered a rather reflective latent construct measured by Return on Assets (ROA) and Return on Sales (ROS), (Saliba de Oliveira, Cruz Basso, Kimura, & Sobreiro, 2018).

Therefore, it was well articulated that, tests of financial performance in banks are of fundamental importance for the bank's stakeholders (Rashid & Jabeen, 2016). It was found that, bank performance has been one of the main concerns of managers, researchers, investors and scholars in the last decade (Tomuleasa, 2014).

Commercial banks serve as the cornerstone of economic stability and prosperity by acting as stimulants in the process of development (Sime et al., 2020). According to Ngumi (2013) commercial banks also advocate the center of the credit for any national economy including those of African nations. A strong argument has emerged supposing that in any democratic economy, the banking sector is attributed with contributing toward better financial performance of such entities and this outcome helps in better resource decision-making and utilization (Rashid & Jabeen, 2016).

Perceptions of financial performance of banks is important because of its effect on the performance of the whole economy (Sime et al., 2020) because, as it was argued; a well-functioning banking system is often found guilty of playing a profound role in resource allocations, economic growth estimates, as well as financial performances of the overall financial system (Rashid & Jabeen, 2016). Therefore, the measurement of the banking financial sector cannot be neglected, since it plays an important pillar role in the financial sector of economy units (Sime et al., 2020). Rashid and Jabeen (2016) clarify further that, better perceptions of financial performance of banks inside a country; contributes toward uplift of investment climate, such essential and beneficial for expecting shareholders as well as for the whole economy.

Performance analysis Methods – Banking Sector

The current study is concerned with the perception of financial performance as a method of analysis. This is guided by the fact that the desirability of performance analytics for 21st century banking sectors has increased (Adam, 2014). The same author Adam, (2014) highlights that financial performance is a metric of how well a firm can use assets from its primary mode of business and generate ultimately revenues. There are many ways to measure financial performance, but all measures should be taken in aggregation says Adam (2014). Yet, says Tajudeen Kolapo et al., (2021) that assessing and putting to measurement, the offshoot of banking is quite hard, and predictors tend to strongly differ.

According to Tajudeen Kolapo et al. (2021), hard measures of financial performance refer to either profit margins and/or return on investment (ROI) in most cases. The same authors make a clear distinction between financial and market performance, with the argument that market performance rather implies market measures, including market share and sales volume (Tajudeen Kolapo et al., 2021). As such, the focus of the study shall remain on perceptions of financial performance and not market performance.

According to Sime et al. (2020) position that in the function of measuring performance metrics of banks, there are two kinds and options of measurement, namely, financial

ratio measures as well as efficiency measures since these are widely used in industry. The bank's financial performance is a measure of how well a firm can use assets from its primary mode of business and generate revenues (Sime et al., 2020). This is a technical and hard-ball definition of measurement. Ultimately, hard financial properties are not the square indicators for deriving firm performance (Tajudeen Kolapo et al., 2021), as it was mentioned earlier, even softer means like percetion have an impact.

Profitability as a Measuring yardstick

The importance of bank profitability can be appraised at the micro and macro levels of the economy (Sime et al., 2020).

Measuring the performance of banks is said to be extremely difficult and the indicators strongly differ (Tajudeen Kolapo et al., 2021). According to the same authors (Tajudeen Kolapo et al., 2021), the following are measures of value-based banking financial performance, profits generated, risk and efficiency, return on assets and return equity, liquidity ratios, asset quality ratios, and other perceptual units. In other words, there are more techniques and options to choose in testing the financial performances of banks.

The most referred measure in literature is profitability. It is pronounced that the profitability metric is reliable in offering hints about the capacity of the subject bank to assume risks and to boast its operating passion (Ngumi, 2013). Again, financial performance measurements in literature tend to refer to profit margin even, similarly, return on assets (Tajudeen Kolapo et al., 2021), however not exclusive.

It is claimed that at micro level, profit is an essential requirement of a competitive banking institution as well as the most affordable source of funds (Sime et al., 2020). The same methods of financial performance measurement were once mentioned to include, return on assets (ROA) - a ratio of a bank's profits to its total assets (Ngumi, 2013), return on sales (ROS), Return on Equity (ROE) - the ratio of pre-tax profits to equity (Ngumi, 2013) and operating margin (OM) as were used in Saliba de Oliveira et al. (2018).

The income statements of commercial banks are noted for reporting profits before and after taxes (Ngumi, 2013). Hence, as observed in Aas and Pedersen (2011), the literature on the financial performance of innovations as well as the effects of innovation on profitability contained a number of potential indicators.

CAMELS as a Measuring yardstick

According to Rashid and Jabeen (2016), the performance of commercial banks can also be achieved by using CAMELS. The CAMELS acronym means Capital Adequacy, Management Efficiency, Liquidity and Solvency. The CAMEL(S) approach is normally used to assess the relative financial performance of banks for a certain period. The CAMEL approach can be modified such as through calculating progress ratio of either bank by a compositive index formula (Rashid & Jabeen, 2016).

These same authors (Rashid & Jabeen, 2016) preferred measuring financial performance of banks based on CAMELS because simple ratio-based performance measures are heavily defined in considering different financial aspects of financial institutions.

Performance Index as a measuring yardstick

It is also suggested ranking of banks based upon a performance index is essential rather through individual ratios (Rashid & Jabeen, 2016). Adam (2014) suggests that the ratios be calculated as indicators to assessing bank's financial health.

For this reason, Adam, (2014) claims that essential variables which highly correlated with the financial performance of the studied bank, will give a complete picture of how the bank carries out its operations which influence the financial position and contribute to enhancing the overall performance.

Similarly, Rashid and Jabeen (2016) point out that researchers can develop an index for measuring the financial performance of commercial banks. Researchers must consider the parameters of this model.

In order to measure results appropriately, performance index results may be compared against bank's annual net income and ROE (Rashid & Jabeen, 2016). Similar statistical techniques can also be used to assess bank performance using the performance index (Rashid & Jabeen, 2016).

Another benefit of creating a similar index is that it enables researchers to do a regression analysis to pinpoint the important factors influencing financial performance or how those factors are perceived (Rashid & Jabeen, 2016). It is renowned for its benefits., which include less mutlicollinearity, improve econometric estimations, and outcomes with higher precision (Adam, 2014).

Financial ratios

Financial ratio analysis is claimed to raise issues about distinct and unusual aspects of bank financial performance, including profitability variations, solvency, and asset quality (Adam, 2014). It is advised that the financial statement of the same bank, such as the income statement and balance sheet, be ordered and issued with the aim of realizing a helpful analysis on bank performances (Adam, 2014). In order to analyze the alleged financial performance of commercial banks, this study relied on internal data. It did this by creating a number of relevant ratios that organize to show specifics of the financial statements of the same banking organization (Adam, 2014).

Innovation Efficiencies

It was found that the capacity of a firm to innovate is among the most important factors that result in financial performance (Bigliardi, 2013). Results, from these studies, it is shown that the innovations developed and marketed for the customer as well as those created to rather identify from the competitors increase financial performance (Bigliardi, 2013).

As things of similar character tend to work together, so does the connection between innovation and perceptions of financial performance are also of keen concern for both consultants and governments moreover (Bigliardi, 2013). According to Aas & Pedersen, (2011), a number of financial metrics used in strategic marketing may be appropriate for assessing the financial impact of innovation on organizations.

The innovation developed for the ultimate customers even the level of innovation with respect to competitors holds a higher positive impact on financial performance (Bigliardi, 2013). It is suggested by (Saliba de Oliveira et al., 2018) that one of the reasons for companies to aspire and run innovations within their systems is to achieve higher performance.

Upon this logic, it was therefore inferred in (Nieves & Diaz-Meneses, 2016) that the relevance of the commitment variable in the marketing innovation-financial performance affinity tends to mean that the result and impact of innovation can probably best be observed after a certain time horizon. Moreover, the same authors continue to suggest that pertaining to the mix between innovation and financial performance spheres, most of the investigations revealed a rather positive association, although some studies do find negative, null, or verted U-shaped relationships (Nieves & Diaz-Meneses, 2016).

Relationships between measuring yardsticks

The first relationship to test was in Nieves and Diaz-Meneses (2016), where empirical studies found that innovative marketing favours the creation of a sustained competitive edge grounded on variables as distinction, ultimately affect companies' financial results, fosters product innovations extensively, improves marketing performance widely and helps product and process innovations to be more successful if not effective.

The other is that of management efficiency and Return on Assets (ROA) in that they have a positive relationship (Sime et al., 2020). ROA is the total faculties possessed and managed by profit before tax, as explained in Ngumi (2013). This means management efficiency (ME), internal factor; has a positive relationship with the financial performance (FP) of the bank's measures of ROA and have a significant influence on the bank's performance (Sime et al., 2020).

Some studies (Saliba de Oliveira et al., 2018) failed to find a significant relationship between innovation and financial performance. In fact, Saliba de Oliveira et al., (2018)

have concluded that results for the relationship between innovation and performance are mixed.

The same authors, Saliba de Oliveira et al., (2018) understood that efforts in innovation must first lead to innovation impacts, which in upstream are lauded with influencing positive organizational performances. Upon this phenomenon, there are authors who measured the financial performance metric within a 3-year period after implementing innovative initiatives and tasks to manage the time lag problem, although when such lag is too stretched, it creates errors of analysis (Aas & Pedersen, 2011). There is a definite need to assess the linkages or causations between these two constructs as there are several dynamics involved.

The last relationship to explore was the relationships between bank size and bank performance that is considered positive (Tomuleasa, 2014). Aas & Pedersen, (2011) posit that on occasion where relationships between measures, the same tend to be relative.

Marketing Innovation and perceptions of financial performance

Innovative marketing lists of companies registering new products of new manufacturing guidelines to conduct their operations more effectively, in which case the new products may be based on the new procedures (Ngumi, 2013). There is a good relationship between bank performance and strategic marketing innovation (Tajudeen Kolapo et al., 2021). To this effect, empirical findings confirm that an increase in the innovation level increased financial performance (Bigliardi, 2013). As a basis, the same author (Bigliardi, 2013) opines that empirical findings specifically underline the relevance of the innovation developed in order to meet the customer's needs as well as of those developed in order to differentiate from the competitors in improving the financial performance.

It is widely recognized and accepted that innovation impacts on financial performance. Yet, context matters a lot where this is always true. On the other hand, there are enough studies on the relationship between innovation and financial performance of big companies (Bigliardi, 2013). In other ways, size or perception of size has a bearing

to this interpretation. Aas and Pedersen (2011) stressed that assessing financial performance, whether intrinsic or perceptual, driven by creative marketing efforts; it is also required to decide when to measure, meaning such an exercise is once more only relative.

According to the same authors, in order to overcome time lag issues, it is preferable to examine the resultant financial performance in the first year following the period of the reported innovation activities as per (Aas & Pedersen, 2011). According to Saliba de Oliveira et al. (2018), according to their findings, innovative efforts lead to effective innovation, which does not always translate into financial performance. The latter is an intriguing discovery that is further examined in this paper.

2.3 Theoretical Review

This section introduces the anchor theories to the study.

2.3.1 Marketing Strategy Theory

The theoretical pivot of this study is the marketing strategy construct. This follows Morgan et al., (2018) review of the literature on marketing strategy and its role in the subject of strategic marketing. In the end, it is assumed that this should be accomplished by first comprehending marketing strategy in order to acquire a deeper grasp of marketing and how it is implemented (Morgan et al., 2018).

Marketing strategy, as a theory, is an off shoot of marketing management (Shaw & Wooliscroft, 2012), and fundamentally entrenched in explaining marketing theories articulating on firm performance (Morgan et al., 2018). This is important since organizing and driving marketing strategy is considered tropical to the practice of marketing (Morgan et al., 2018). In this manner, it is concluded that marketing strategies seem to be an important type of business or commercial strategy (Aghazadeh, 2015). Shaw and Wooliscroft (2012) maintain that the use of an appropriate marketing strategy is considered a critical element for business success. Aghazadeh (2015) also shares this view that because all organizations attempt to survive and achieve superior business in their competing markets, marketing

strategies seem to be an important type of strategy that businesses employ. Coincidentally, Tajudeen Kolapo et al. (2021) support this viewpoint and contend that innovation frequently leads to changes in organizational processes and serves as the primary means of implementing marketing strategies that are in line with consumer and market demands, which in turn, is responsible for generating sustainable competitive advantage. It is this implementation of marketing strategy that is considered key in Slater, Hult, and Olson (2010).

In particular, the marketing mix is a simplified version of the concept that marketing strategy is made up of a checklist of factors that could aid in marketing decision-making (Shaw & Wooliscroft, 2012) and creativity (Slater et al., 2010), as well as how those decisions are enacted (Morgan et al., 2018). According to Slater et al. (2010), marketing strategy is also concerned with the creation of a marketing mix that enables the business to achieve its objectives in a target market. Competitive advantage depends on pioneering in innovative activities (Tajudeen Kolapo et al., 2021).

Over and above the formulation of marketing strategies for business success, the implementation of marketing strategies, in creating and sustaining a climate within the firm of execution, is touted (Thorpe & Morgan, 2007). Thorpe and Morgan (2007) also opine that not all firms implement their marketing strategies in the same manner. Yet, according to Morgan et al. (2018), it is crucial to continue to investigate the key decisions that are structural to understanding the big picture and long-term performance of products, as well as those of strategic business operations. Decisively, Purchase & Volery, (2020) suggest that doing a review of how marketing activities are linked with innovation processes, it has been received, in both industry and academia, that several important publications addressed marketing tactics, tools, techniques and activities.

This study contributes to the marketing strategy theory by investigating the long-term perception of the performance of banks in their implementation of marketing strategies.

2.4 Empirical Review, Hypotheses Development and Conceptual Framework

This section of the literature review introduces the measurement variables, conceptual framework, and hypotheses that the study intends to test to answer the research questions.

2.4.1 Marketing orientation and marketing innovation in a commercial bank

Marketing orientation is defined as an organizational push toward intelligence, based on understanding customer needs (Vokoun & Píchová, 2020). Nurhasanah and Murwatiningsih (2018) suggest market orientation is what makes companies understand the market, competitors, and co-ordination of information to all members, making it easier to implement a marketing strategy that can improve marketing performances.

How marketing strategies improve marketing performances, it was In Sánchez-Gutiérrez et al. (2019), where market orientation is established as customer value creation and this through satisfaction of customer needs delivering results. Furthermore, the same authors inclined in Sánchez-Gutiérrez et al. (2019) that customer value-creation then morphs into a strategic imperative with top economic and financial consequences for the same firm. It is to be accepted then that the force to attempt to realize customer expectations can help stimulate customer value in the operating market and this value can lead to broader competitiveness of the firm in the space of play.

Another issue of consideration is that there are two types of marketing orientation – the internal and external marketing orientation as pronounced in (Schulz, Martin, & Meyer, 2017). According to these authors, (Schulz et al., 2017), internal marketing orientation is a management philosophy focusing on improving the employee motivation and morale, whereas external marketing is part of a broader organization's marketing orientation (Schulz et al., 2017). The philosophy is based on the scientific fact found in Purchase and Volery (2020) that customers are a crucial element within the innovative marketing conversation.

The other rationale from the same study is that external actors (suppliers and stakeholders) influence marketing innovations undertaken within an organization, cementing that external marketing is a relevant view. According to the claim made by Sánchez-Gutiérrez et al., (2019), both are crucial to mention because when used together, they enable busiensses to more clearly identify customer needs and foster heightened customer sensitivity,, both of which improve a company's capabilities and spur marketign innovation.

The interest of the study is on the external marketing orientation since this type follows marketing innovations which are hinged on the logic of the marketing mix innovations (product, price, place, and promotion) (Vokoun & Píchová, 2020). In Na, Kang, and Jeong (2019), it was discovered that marketing innovation is motivated by the marketing strategy of the enterprise to uncover and analyze hidden demand. Therefore, it makes sense that a combination of the firm's capabilities and external knowledge obtained from customers will not only align what is given to match client attributes but also create new patterns (Sánchez-Gutiérrez et al., 2019). There is a propensity to concur with this viewpoint.

According to Purchase & Volery, (2020) market orientation as a construct tends to capture the capabilities of concerned firms in order to address the needs of customers, whether expressed needs and/or latent needs. This identified ability or capacity to then spur new marketing drives leads to greater identification and such a capability is a different avenue that the firm then approves to capitalize on opportunities stemming from modifications to market needs (Sánchez-Gutiérrez et al., 2019).

If this is the case, then innovative marketing's greatest significance form a strategy perspective and function depends on perfect ownership of consumer demands and needs to the extent that a new product or service is designed and supplied for a suitable, targeted market, where the likelihood of the market's value and expansion determines the success of the brand product (Tajudeen Kolapo et al., 2021).

According to some, one of the most crucial traits of marketing innovation is that it has a simultaneous focus on the market and customers (Nadda & Arnott, 2020).

This orientation is framed as external information and what it does is to affect marketing innovation since information regarding openings, consumption of products, user preferences and production practicalities is mostly based on tacit knowledge (Ramirez et al., 2018).

To which point, Tajudeen Kolapo et al. (2021) point out that the glory of firms in maintaining and growing their lion's share of the market and improving their competitive prowess tends to depend on the scrutiny of forces that propel the illumination of competitive advances. Market orientation, as one of such factors; is understood to be the tendency to respond to such demand in the market better than the competition (Na et al., 2019). Put differently, according to Gupta et al. (2016), disciplines involving the likes of technology and information tend to facilitate marketing innovation in competitive markets, and this is usually good for business. The technological focus and information are attributed to market orientation as one of three theoretical anchors to studying marketing innovation (Purchase & Volery, 2020). Nurhasanah and Murwatiningsih (2018), in their research, mention that there is a positive relationship between market orientation and innovation.

Since several scholars like (Purchase & Volery, 2020) argue for innovation as a missing integration between market orientation variable and organizational performance, it then gives therefore that such combination of resources in customer knowledge and marketing skills posing an opportunity that shall guide to new, highly probable programs in a firm's commercial managerial outlook (Sánchez-Gutiérrez et al., 2019), it is therefore essential that this review suggested an interaction between marketing orientation and marketing innovation.

H1: Marketing orientation has a positive influence on marketing innovation of commercial banks in Lesotho.

2.4.2 Marketing innovation and customer satisfaction in a commercial bank

Marketing innovation is the generation and implementation of new ideas for creating, communicating, and delivering value to customers and managing customer

relationships (Cascio, 2011). Marketing is said to be involving several views, (Aghazadeh, 2015). The first view involves mindset shifts which means a management philosophy that connects organization's key decisions and activities to its desired market, (Aghazadeh, 2015). The second view functions as behaviour which means a set of protocols and/or activity patterns that are aligned to the organization's understanding of the market and its ability to respond to this understanding (Aghazadeh, 2015).

Nadda and Arnott (2020), claim that businesses are often found developing novel items or even marketing strategies that they must develop to remain profitable. In other words, as in Hussain, Mu, Mohiuddin, Danish, and Sair (2020), a marketing innovation is the execution of an innovative marketing technique (marketing ideas and strategies) that is considerably different from the prior marketing processes implemented by a business and that has not previously been implemented by the business. It is reasonable to say that marketing innovations are innovative approaches by which a firm provides value to its customers (Eklof, Podkorytova, & Malova, 2018).

Safe to conclude then, as in Tajudeen Kolapo et al. (2021), that an innovative marketing protocol can and does emerge at the physical offering level, level of service as well delivery.

A well-balanced performance of a firm can be scanned as inculcating both financial and non-financial tickets, which generally enable marketing strategists to fully appreciate the performance consequences of their tactics and deliveries (Tajudeen Kolapo et al., 2021). In simpler terms, marketing innovation is a key to customer value creation (Sánchez-Gutiérrez et al., 2019). Mbama, Ezepue, Alboul, and Beer (2018) define this value as mutual, a situation where the customer and company interact to create a fulfilled customer experience. Customer satisfaction is a driver of financial performance (Mbama et al., 2018). It was found that customer satisfaction tends to increase financial performance in Taiwanese Banks (Mbama et al., 2018).

A contrasting appraoch is used by Nadda and Arnott (2020) who claim that marketing innovation represent the company's capacity to innovate its goods and services. Since

these products and services will finally satisfy the customer's wants in a distinctive way, these changes are then recognized to channel a roadmap that will result in strategic brand rewards for them.

According to Biégas, (2018), an organization's performance reflects if it has reached or exceeded the predetermined goals for it marketing strategy, which often cover performance metrics in particular markets.

According to O'Dwyer et al., (2009), customer satisfaction and customer orientation are closely linked to performance in smaller businesses where a great deal of focus is warranted on building personal relationships to expand they pyramid base. Customer satisfaction occurs when service performance meets customer expectations; otherwise, customers may not be happy with the bank (Kim & Jindabot, 2022).

This needs to be distinct form the therapies that the firm is already promoting (Nadda & Arnott, 2020). Indeed, according to Nadda and Arnott (2020), marketing innovation is the driving of new marketing mechanics involving serious options in the product design, placement of the same offering, its packaging, then its pricing, and then ultimately promotion of communications and messages.

The literature notes that occasionally, innovative marketing manifests as innovation in the marketing process and procedures, which includes the four Ps of the marketing mix (Hussain et al., 2020; Ramirez et al., 2018; and Peng et al., 2021). This covers the 4Ps of marketing (Moreira, Silva, Simoes, & Sousa, 2012) and how the Ps do work towards creating a profitable institution (Nadda & Arnott, 2020).

Product and Brand Innovation strategies

According to Purchase and Volery (2020), during a launch of a new product scenario, choices on product are made along parameters related to shape, material, proportions, and generally marketing communication can greatly influence consumers' cognitive

and emotional responses to the innovation while Nadda and Arnott (2020) support this notion in that marketing innovation takes place in products all by itself.

Pricing Innovation strategies

Innovation in pricing brings new-to-the-industry approaches to pricing strategies, to pricing tactics, and to the organization of pricing with the objective of increasing customer satisfaction and company profits (Purchase & Volery, 2020).

Biégas (2018) is quick to note that product pricing strategies always tend to take this market reality into account, which generates revenue and profit. In that instance, pricing is therefore one fastest area to transform (Yonggui Wang et al., 2020). Because price is an important tool in competition with other businesses and a direct force to the revenue of a firm as was defined in (Yonggui Wang et al., 2020).

Place Innovation strategies

Place innovation strategies involve dynamics where recently decisions around, distribution structure, channel choices and types of channel actors are becoming as important and complex as the decisions about product features and prices (Purchase & Volery, 2020).

According to Nadda & Arnott, (2020) shifting a company's geographic position in this situation will be advantageous for the firm since it will provide it the chance to serve a new market if the old market is saturated or another market has less competition.

According to Biégas (2018), distribution channels' management is essential for the availability of the product, making sure that it is in the right place at the right time, in the right quantities at the lowest possible cost as such are linked to the company's profit margin. Distribution channels, through marketing innovation, are supposed to increase focus on consumer interactions (Purchase & Volery, 2020).

Accroding to Biégas, (2018), it is best to consider that a successful execution of innovative marketing entails that the marketing innovation capacity is connected to the market and financial performances, specifically the acquisition and retention of customers and the realization of economic gains.

Yonggui Wang et al., (2020) suggests that these strategies tend to enable the availability of the product or service to meet the customer demand. Distribution functions well through digital channels (Yonggui Wang et al., 2020).

Promotion Innovation strategies

Purchase & Volery, (2020) says that technological developments, such as blogs, mobile devices, discussion forums, product rating websites, video sharing sites, and online social networks, to name a few, have created possibilities aimed at influencing customer's attitude. There is tendency to share the view.

Promotion of branding initiatives is also a common theme in promotion innovation (Purchase & Volery, 2020). The same author, Purchase & Volery, (2020) crystalizes this point in that firms can now communicate with their customers without the need for media organizations to provide a range of digital services and experience.

According to Nadda & Arnott, 2020), this is the most popular sector because most businesses have been focusing on investing innovations connected to promotion, pricing, and many other areas in recent years.

According to Biégas, (2018), promotional activities are necessary to convey a product's characteristics and benefits of the company's targeted "target" markets, which will encourage purchases and create value. Nevertheless, they are costly.

In summation, Sánchez-Gutiérrez et al. (2019) offer that the firm's internal capabilities which are useful in transforming customer needs into specific offerings and solutions ought to be promoted. The rationale, according to the same authors, is that marketing innovation capabilities and strategies remain an important supplier of benefits (Sánchez-Gutiérrez et al., 2019). Mbama et al. (2018) is one of the earlier studies that is in the affirmative. Customers are found to be more demanding, which ultimately forces firms to become customer oriented and thereby having the need to invest in quality services for performance enhancement (Mbama et al., 2018).

Yonggui Wang et al., (2020) declare that the aim of the marketing mix is to create a mutually satisfying exchange with the target market. The new methods that organizations implement to fulfil specific customer expectations, as identified by management or third-party market research, are indirectly referenced as marketing innovation (Cascio, 2011).

Promotion includes marketing messages (Yonggui. Wang et al., 2020) which are frequently and recently published on social media where such specific areas continue to generate yields in terms of user interactivity. Promotion covers all the IMC promotion mix (Yonggui Wang et al., 2020).

H2 Marketing innovation is mediated by customer satisfaction to deliver financial performance in commercial banks in Lesotho.

2.4.3 Customer satisfaction and financial performance in commercial banking

Nieves & Diaz-Meneses, (2016) opined that the chief objective of innovative marketing is to upgrade the identification procedures as well as profitable satisfaction of customer needs. Customer satisfaction is the most important variable for most companies (Belás & Gabčová, 2016). Eklof et. al., (2018), found that customer satisfaction is one of the keystone concepts in strategic marketing, particularly within the banking sphere. Customer satisfaction is the total evaluation toward the overall service levels provided as was explained in (Keisidou, Sarigiannidis, Maditinos, & Thalassinos, 2013).

According to Winstanley (1997), customer satisfaction is important and not entirely as a goal in itself but also because it makes doing business more positive between the customer and serving supplier, which has an impact on buyer actions and the bottom line for the firm. Yet, customer satisfaction is a curious variable and force in the performance of banks (Belás & Gabčová, 2016). It is to be understood that when individuals refer to the financial performance of a banking outfit, they are referring to its profitability (Keisidou et al., 2013).

Customer satisfaction is also defined in Kim and Jindabot (2022) as an individual's evaluation that results from a comparison between service performance and their

expectation. The term ‘satisfaction’ is accepted to describe and mean the sense of fulfillment by a customer (Keisidou et al., 2013). Ultimately, a fulfilled customer and by being loyal; leads to higher revenues and to better financial performance (Eklof et al., 2018).

The banking fraternity is touted a powerful source of finance for both B2C and B2B, speaking in general terms (Rashid & Jabeen, 2016). As shown in Tajudeen Kolapo et al. (2021) that the ultimate purpose of innovative marketing is to escalate the identification procedures and profitable facilitation of the defined customer demands. In simpler terms, customer satisfaction can have a major payoff for banks, both in the short and long term (Winstanley, 1997). Customer satisfaction in the banking universe hosts its specific features, specifically since it is the sector of services (Belás & Gabčová, 2016).

It was said that through implementation of new marketing methods and activities, the organization begins the journey of establishing closer partnerships with customers and affords them a situation when the same become promoters and advocates of the organization and thereby start earning economic benefits (Belás & Gabčová, 2016).

Business relationship with customers and suppliers is important as well as the accomplishments of innovation in enhancing broader company performance (Saliba de Oliveira et al., 2018). Belás and Gabčová (2016) found that banks with satisfied customers have a higher profitability, although the same authors (Belás & Gabčová, 2016) are quick to point out that customer satisfaction may not always necessarily be a sufficient assumption of a higher financial performance of a bank. A general performance node in a marketing space is the firm’s throughout relative to how the customer is fulfilled in an economically efficient and effective journey, compared to competitors (Baek, 2014). Customer satisfaction measures ought to fit the bank’s overall business and marketing strategy to be relevant (Winstanley, 1997).

Customer satisfaction can be used as a measure of bank performance for external examinations (Rashid & Jabeen, 2016). Indeed, it is to be expected that managing customer satisfaction in a commercial bank can be very difficult (Belás & Gabčová, 2016).

It should be considered that promoting customer satisfaction scores is not only measurable in parameters such as interest and fees but also subjective feelings and sensations (Belás & Gabčová, 2016). It is recommended that where bank leadership desires to guarantee better financial performance of their banks, customer satisfaction solutioning has to become one of its priorities (Belás & Gabčová, 2016). This is because conventional strategic marketing suggests that customer satisfaction influences financial performance of the firm (Eklof et al., 2018), considering the number of banks that direct their strategies towards customer satisfaction (Keisidou et al., 2013).

To this effect, it was found in Eklof et al. (2018), that customer satisfaction had a positive and significant effect on all metrics of financial performance considered. In other words, the higher the customer satisfaction the more profitable should the bank be (Eklof et al., 2018).

H3 – Customer satisfaction directly leads to higher financial performances in a commercial bank in Lesotho.
H4 – Customer satisfaction has a positive relationship to customer loyalty in commercial bank in Lesotho.
H5 – Customer loyalty influences financial performance of commercial banks in Lesotho.

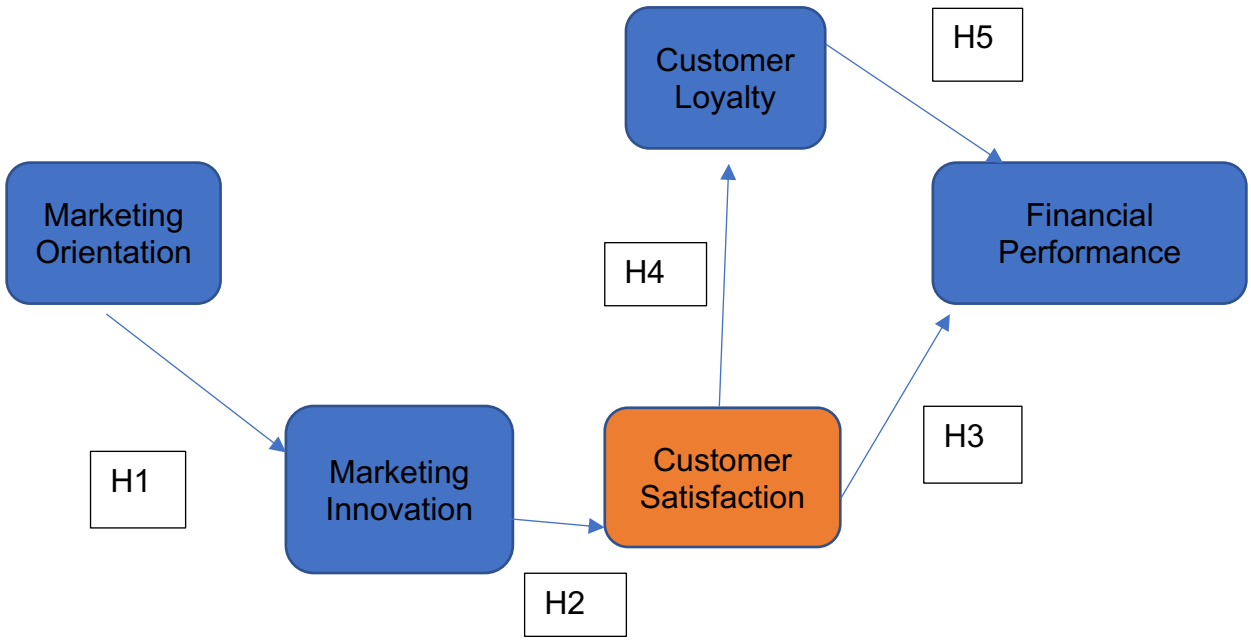


Figure 2: Conceptual model on innovative marketing and financial performance of commercial banks in Lesotho.

Research design source: (Author's own construction, 2023)

2.5. Summary of Chapter 2

The chapter introduced both the theoretical and empirical perspectives. The former presented the anchor theory in marketing mix 4Ps in explaining marketing strategy literature. The latter then showcased the empirical results and discussions on constructs that were measured in this current study. The hypotheses were narrated, and the conceptual framework introduced.

CHAPTER 3 - RESEARCH DESIGN AND METHODOLOGY

This chapter of the study presents the approaches that were undertaken in conducting the study. This chapter specifically explains the research design, the population of interest, sample, sampling size, the data collection method, and the techniques of study, analytical model and the tests of significance used.

3.1 Research Methodology/Paradigm

The study drew on positivism research philosophy or paradigm as was considered in Demeke (2020). A paradigm is a different way of viewing the world and often from the foundation from which research is undertaken, posits Davies and Fisher (2018). According to Park, Konge, an Artino (2020), positivism studies tend to align generally on identifying explanatory associations or causal relationships through quantitative approaches, hence it was picked.

Even though findings form the literature were rationally examined using quantitative models in the current study, the assumptions were founded on theoretical considerations (Demeke, 2020). Hence, in accordance with the research philosophy, this study adopted a descriptive and quantitative research approach.

As in the previous study referred, the current one concentrated on empirical testing of hypotheses constructed to directly predict observable occurrences (Demeke, 2020), It is suggested that this research philosophy has the advantage of giving the researcher the option to test for statistical significance from gathered samples, and this is what they did (Demeke, 2020).

3.2 Research Design

Using a cross sectional data survey, this study utilized a descriptive and quantitative correlational technique. Support comes from Sekaran and Bougie (2016), who contend that the study design serves as the foundation for the researcher's decisions on, among other things, how to gather further data, analyse and interpret them, and

then propose solutions to the problem. The plan for gathering, measuring, and analysing data has been identified as research design (Demeke, 2020). Muigai and Gitau (2018) employed a similar strategy.

This kind of design is both ready to apply, exact, precise, and affordable (Demeke, 2020) especially when working with small surveys (Muigai & Gitau, 2018).

To evaluate the proposed hypotheses, this study used primary data. Likewise, according to Demeke (2020), it was assumed that both cross-sectional surveys and correlational methodologies like this one were regarded adequate for this type of study since they allow researchers to record demographic information about a community a quantitatively evaluate hypotheses. Demeke (2020) does state that correlation studies does not establish causation, though. As the researcher promised for this investigation, an empirical correlation between pertinent variables must first be proposed (Demeke, 2020), before causation can be investigated. According to Demeke (2020) the majority of researcher use this method to test hypotheses and even to interpret finding and conclusions.

3.3 Population and Sample

The banking sector in the Kingdom of Lesotho was used as the target geographical area with four (4) commercial banks with 44 branches across Lesotho. It was given that only 38% of the adult population (2.2m) in Lesotho have bank accounts with banking institutions in Sekantsi and Motelle (2016). This in total, represents 836 000 adults in Lesotho who have opened bank accounts with the identified commercial banks in Lesotho. Again, only 57.9% of these banked adults reside in urban areas (Sekantsi & Motelle, 2016), where suitably, for the purpose of this study they would be most relevant to participate. This would mean that approximately 484 044 adults in the urban areas represent the total target population for the benefit of the study. For the fact that customer satisfaction is seen as a mediation variable, it holds that the research questions were presented and covered by the already banked adults in urban areas where there was a saturation of improved banking infrastructure. In other words,

the case herein was the exposure of banking consumers to innovative marketing effects that banks passage into the mainstream Lesotho market.

The target population parameter of interest shall then be the number of transactions one banking client performs in each period not exceeding a month. Ordinal data consists of not less than three transactions per week and not greater than 10 transactions per week.

3.3.1 Population

In testing the hypotheses, the target population (Bell, Bryman, & Harley, 2022) was defined as customers of all four (4) local commercial banks in Lesotho in 2022. The population of the study (Moh, Freihat, & Hashem, 2020) consists of banking services customers of all commercial banks in Lesotho, Standard Lesotho Bank, First National Bank, Nedbank Lesotho, and Post Bank Lesotho. It is often not possible to obtain data from all the relevant members of the population as was the case in (Baines & Chansarkar, 2002). As experienced herein, it was found that researchers are often faced with the problem of selecting the appropriate sample from the population of the study (Demeke, 2020). A difficulty of choosing the appropriate sample from this population in this study was encountered as well.

3.3.2 Sample and Sampling Method

In 2021, commercial bank branches for Lesotho were 3.7 number per 100 000 adults (CBL, 2013). Populations in this research are 100 000 customers of four commercial banks licenced and operating in Lesotho.

Consequently, due to the randomized and difficult-to-determine nature of the population, a sample size of 96 random customers who use and prefer services rendered by commercial banks in the rural-urban areas of Lesotho for more than three (3) years (Moh et al., 2020), was selected. The level of their education, age and sources of information (Demeke, 2020) were also considered.

Following Sharma (2022), this is a simple, non-probability sampling that comprises entrepreneurs, salaried people (employees), and students irrespective of gender, but

most of the customers are in the age group of 20 to 50 years by means of survey distribution.

Online questionnaires were distributed (Moh et al., 2020) to the sample via WhatsApp, LinkedIn, and Email hyperlinks. According to Purchase and Volery (2020), there must be consideration of the level of analysis (firm, customer, inter-organizational). Therefore, customers were regarded as the unit of analysis (Moh et al., 2020) for this study within the types of commercial banking services customer categories. In other words, the level opted for was a B2C over B2B types. Most customers of commercial banking are literate and may be able to provide reliable information on the subject (Demeke, 2020). According to Bell et al. (2022), a sampling frame of at least 30 or more cases per group is adequate for a correlational study.

As it was, it was encountered in Nwachukwu and Vu (2022a) this current study adopted the workings of purposive and simple random sampling methods. It is understood in Nwachukwu and Vu (2022a) that purposive sampling methods are useful to select participants or respondents who could provide reliable data to help the course achieve the objectives of the study. Again, purposive sampling method is less costly and saves time; argued (Nwachukwu & Vu, 2022a). This method was also used in Tajudeen Kolapo et al. (2021) to determine the highest number of bank branches in that study. The approach in this study functioned as a form of proportional stratified sampling, in which, according to Sekaran and Bougie (2016) a predetermined proportion of people are sampled from different groups, but on a convenience basis.

3.4 Research Instrument

According Nwachukwu and Vu (2022b), survey methods used for collecting strategy data from respondents can either be by means of interview surveys or self-completion questionnaires. This study used a set of questionnaires and had an option of using secondary data obtained from the Central Bank of Lesotho (CBL) to compare perceptual results with real outcomes of financial performance measures in the form of financial statements. Nwachukwu & Vu, (2022a) direct that survey methods are faster, cheaper and allow consistent instruments, which tend to help to reduce bias.

Therefore, a survey questionnaire was designed and used to collect data for this study and its variables, similar to how it was approached in Moh et al. (2020).

3.5 Procedure for data collection

A similar approach to Nwachukwu and Vu (2022a), a web-based survey was used, the system was an online platform known as Qualtrics. Further, a set of questions were designed for the purpose and eventually collected data on study items covering firm respondent's profile characteristics, market orientation, marketing innovation, customer satisfaction and loyalty. In (Nwachukwu & Vu, 2022a) respondents were allowed time to complete the questionnaires at their own convenience while they remained anonymous. The questionnaire was written in the English language, which eliminated bias (Nwachukwu & Vu, 2022a).

There were two source options to collect data for this study as used in Moh et al. (2020):

1. Primary data sources:

A questionnaire was designed and served to collect data from the customers who had dealt with commercial banks for over a three-year (3) period (Moh et al., 2020), about the relationship between innovative marketing and the financial performances of commercial banks in Lesotho.

2. Secondary data sources:

This was kept optional. Included were literature, references, and bank statements imagined to be relevant to the current study to clarify principles related to the current stud and its various dimensions, (Moh et al., 2020); and to identify the most important and relevant previous studies on the subject, especially on testing of financial performance measures such as ROA.

3.6 Data analysis and Interpretation

Since the review was both descriptive and analytical in method, the same was facilitated running appropriate statistical methods (Moh et al., 2020), which were descriptive and inferential techniques that corresponded with the nature of the data available, for the purpose of analysing variables and testing hypotheses of the study, which are:

1. Descriptive statistics (frequencies, mean and standard deviations) (Moh et al., 2020) to describe the sample responses with regard to innovative marketing dimensions (4Ps). Wherewith, in Nwachukwu and Vu (2022a), descriptive statistics are normally used to present and describe the distribution of scores using a few indices and models. Zikmund and Babin (2010) suggest that the most basic statistical analysis is descriptive analysis; simple but powerful (Zikmund & Babin, 2010). Defined, descriptive analysis is the elementary transformation of data in a way that describes the basic characteristics such as central tendency, distribution and variability (Zikmund & Babin, 2010). Averages, medians, modes, variance, range and standard deviation typify widely applied descriptive statistics (Zikmund & Babin, 2010).

2. The was running of confirmatory factor analysis within the SEM family and Smart-PLS to test the and achieve the herein hypotheses of the study following Moh et al. (2020) and Tajudeen Kolapo et al. (2021), respectively. Following Nwachukwu and Vu (2022a), the resulting frequencies are judged on all relevant variables and information is presented in the form of frequency tables and charts. According to Nwachukwu and Vu (2022a), regression analysis is the most used statistical techniques in strategy research.

The Statistical package for social sciences (SPSS version 28) was used for data analysis. Nwachukwu and Vu (2022a), confirmed that univariate, multiple regression, and correlation analysis were appropriate for utilising as the statistical tool of choice to analyse the relationship and strength of association between the variables.

3.7 Limitations of the Study

Schindler (2019) suggests that every report should discuss the project's limitations – a thoughtful presentation of any significant methodology problems. This way, the researcher increases their credibility when the problems are discussed and how these were handled, as well as increasing the audience's ability to judge the study's validity (Schindler, 2019).

The study did not cover all parameters of CAMELS nor use it to a lesser extent following Roman and Şargu (2013) following the literature review on the subject.

3.8 Validity and Reliability of Research

This section presents both the definitions of the validity, both external and internal.

3.8.1 External Validity

According to Moh et al. (2020), validity means the ability of the instrument to measure the variables that were designed to be measured. Following Moh et al. (2020), the research was introduced and judged running several path modelling and fit models to arrange and test validity of results.

3.8.2 Internal Validity

According to Zikmund and Babin (2010), internal validity exists to the extent that an experimental variable is truly responsible for any variance in the dependent variable. The same authors suggest that validity depends in large part on successful manipulations.

In Nwachukwu and Vu (2022a), testing of hypotheses involved both Regression analysis and Pearson correlation, conducted using financial performance as the dependent variable (Nyathira, 2012), marketing innovation strategies as predicting variables and customer satisfaction as the moderating variable. According to Nyathira

(2012), financial performance was measured by the annual consolidated profit after tax and exceptional items banks under study.

3.8.3. Reliability

Following Nwachukwu and Vu (2022a), regression analysis beta (**ß)** and path model were utilised to determine the relationships between independent variables and the dependent variable, perceptions of financial performance. In support of this decision, it was found in Moh et al. (2020), that reliability of the tool refers to the possibility of obtaining the same results if the measurement is re-evaluated under the availability of similar circumstances and by using the same measurement tool.

3.9. Summary of Chapter 3

The chapter presented planning and execution of the research methodology for the current study. Hence, in accordance with the research philosophy, this study adopted a descriptive and quantitative research approach. Using a cross sectional data survey, this study utilized a descriptive and quantitative correlational technique. The banking sector in the Kingdom of Lesotho was used as the target geographical area with four (4) commercial banks with 44 branches across Lesotho. The population of the study (Moh, Freihat, & Hashem, 2020) consists of banking services customers of all commercial banks in Lesotho, Standard Lesotho Bank, First National Bank, Nedbank Lesotho, and Post Bank Lesotho. It is often not possible to obtain data from all the relevant members of the population as was the case in (Baines & Chansarkar, 2002). Consequently, due to the randomized and difficult-to-determine nature of the population, a sample size of 96 random customers who use and prefer services rendered by commercial banks in the rural-urban areas of Lesotho for more than three (3) years (Moh et al., 2020), was selected. Therefore, a survey questionnaire was designed and used to collect data for this study and its variables, like how it was approached in Moh et al. (2020). The validity and reliability tests were considered and discussed.

CHAPTER 4: DATA ANALYSIS AND RESULTS PRESENTATION

4.1. Introduction

In this chapter, the data analysis process involved the reduction of accumulated data by developing statistical summaries. These summaries include descriptive statistics to look for relationships among constructs and variables as well as applying inferential statistical techniques, as was recommended in Schindler (2019).

In this section, the reported findings were written in a way that was logical and persuasive to directly align data analysis research objectives, as shown in Hair, Ortinau, and Harrison (2021).

4.2 Descriptive Statistics

This section presents a descriptive statistical summary from the collected number of responses in a few simple techniques for inference of characteristics of the entire population of banking sector customers in Lesotho. The data collection process occurred from October to December 2022, applying a Qualtrics online questionnaire survey to collect data for the current study as showing in (Appendix B). A total of 124 responses were received and 88 responses were valid and therefore the response rate was over 80%, given that the sample size was targeted at 96 responses.

4.2.1 Age

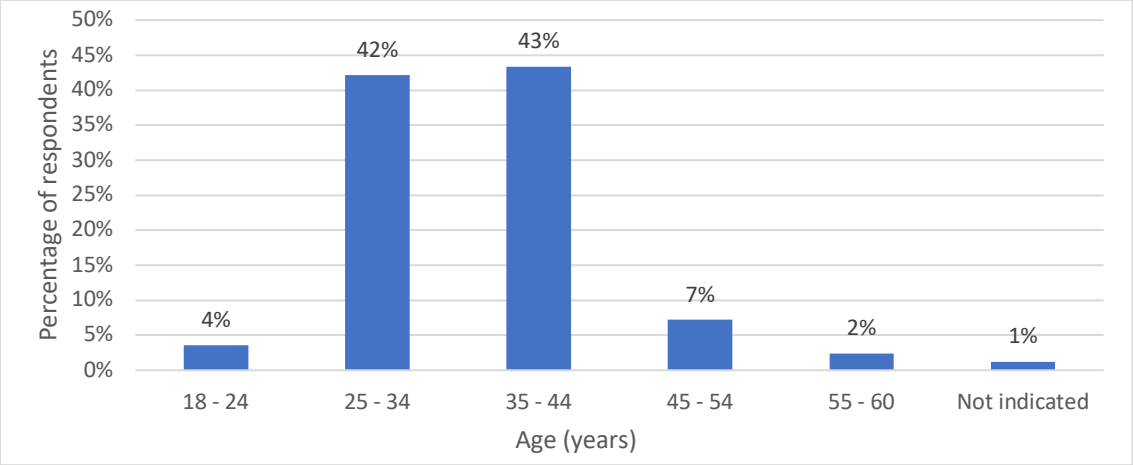


Figure 3: Respondent age

It was found that 43% of the sample respondents make up the age band 35-44 years followed by band ages between 25-34 years at 42%, respectively. It can be inferred that consumers aged between 25 and 44 years of age represent the customer base of banking services in Lesotho at a combined 85% distribution ratio.

4.2.2 Income

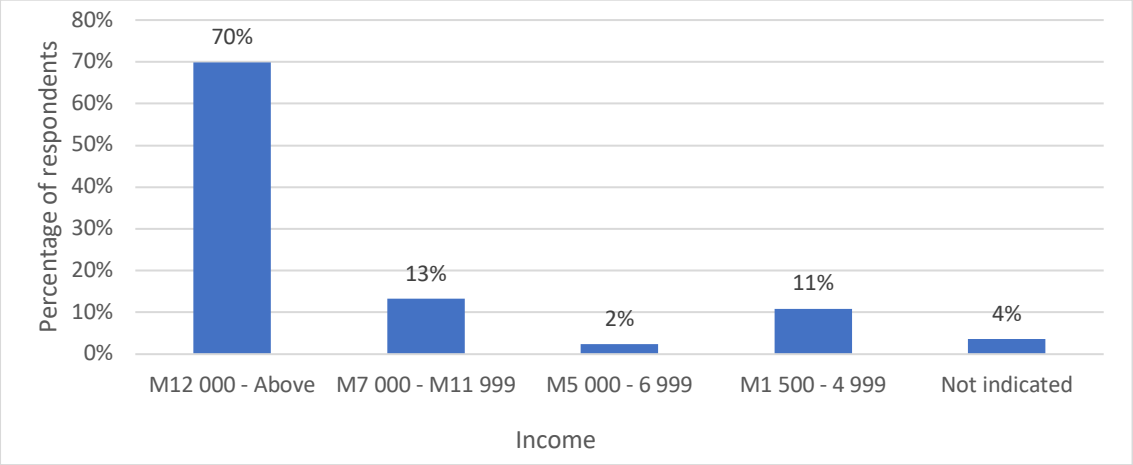


Figure 4: Respondent income bracket

83% of the respondents earn between M7000 and above income per month. The 70% of respondents are considered affluent bank customers. Access to internet and literacy can be attributed to such distribution outcomes.

4.2.3 Level of Education

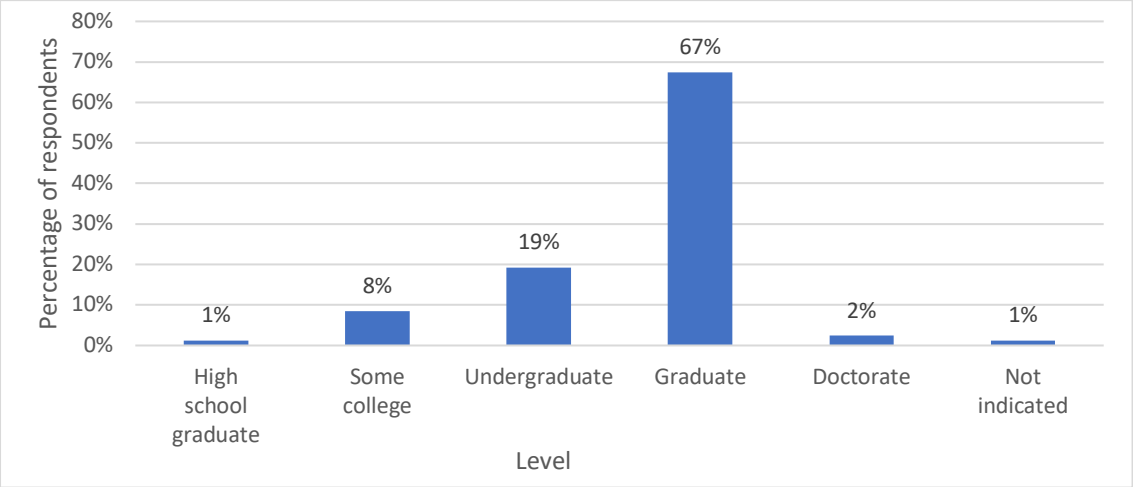


Figure 5: Respondent highest level of education

67% of the respondents graduated with Honours, Post-graduate Diplomas and Master's degrees, while 27% of respondents have experienced college or university and of those, 19% has graduated with first degrees. This outcome tabulates well with the income frequencies.

4.2.4 Branch Geographical Density

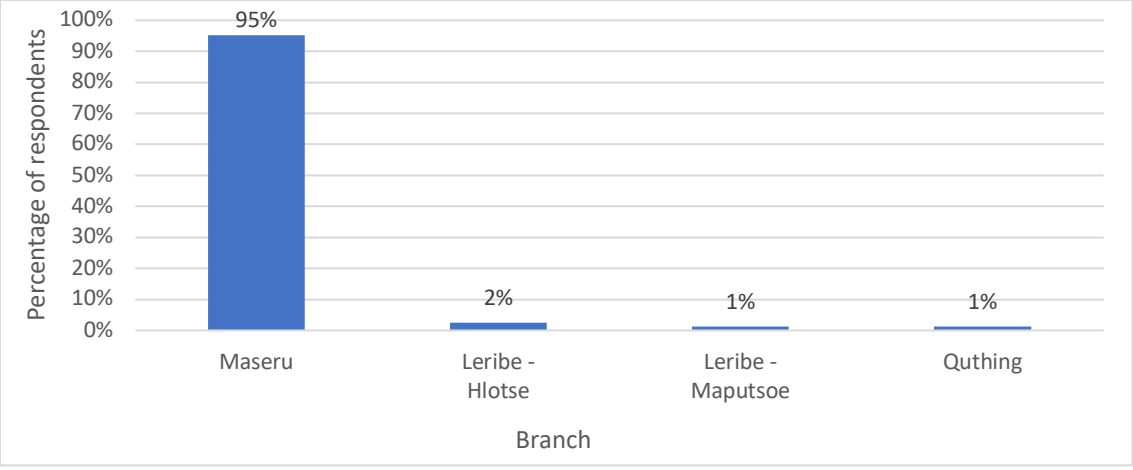


Figure 6: Branch geographical density

95% of respondents demonstrated experience with a branch or ATM facility in the capital of Maseru more than any other economic hub in Lesotho.

4.2.5 Banks used vs Preferred Bank

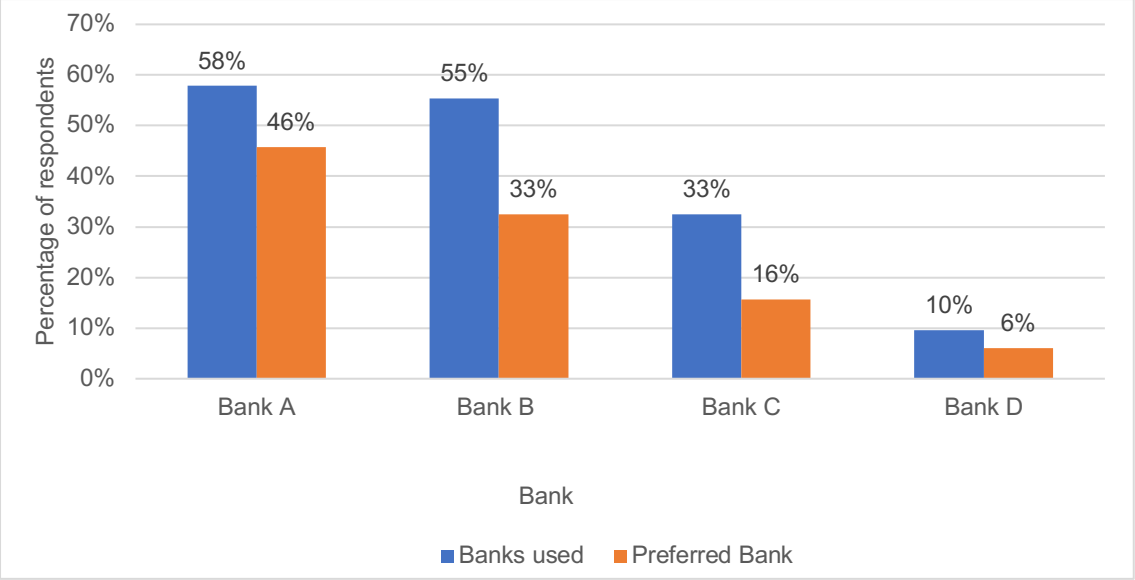


Figure 7: Banks used vs preferred bank

All the four (4) banks demonstrated 146% popularity in usage over 101% preference. Bank A demonstrated a 58% usage popularity, 12% higher than customers who prefer it at 46%. Bank B demonstrated a 55% usage popularity, 22% higher than customers who prefer it at 33%. Bank C demonstrated a 33% usage popularity, 17% higher than customers who prefer it at 16%. Finally, Bank D demonstrated a 10% usage popularity, 4% higher than customers who prefer it at 6%.

4.2.5 How customers received innovative marketing information

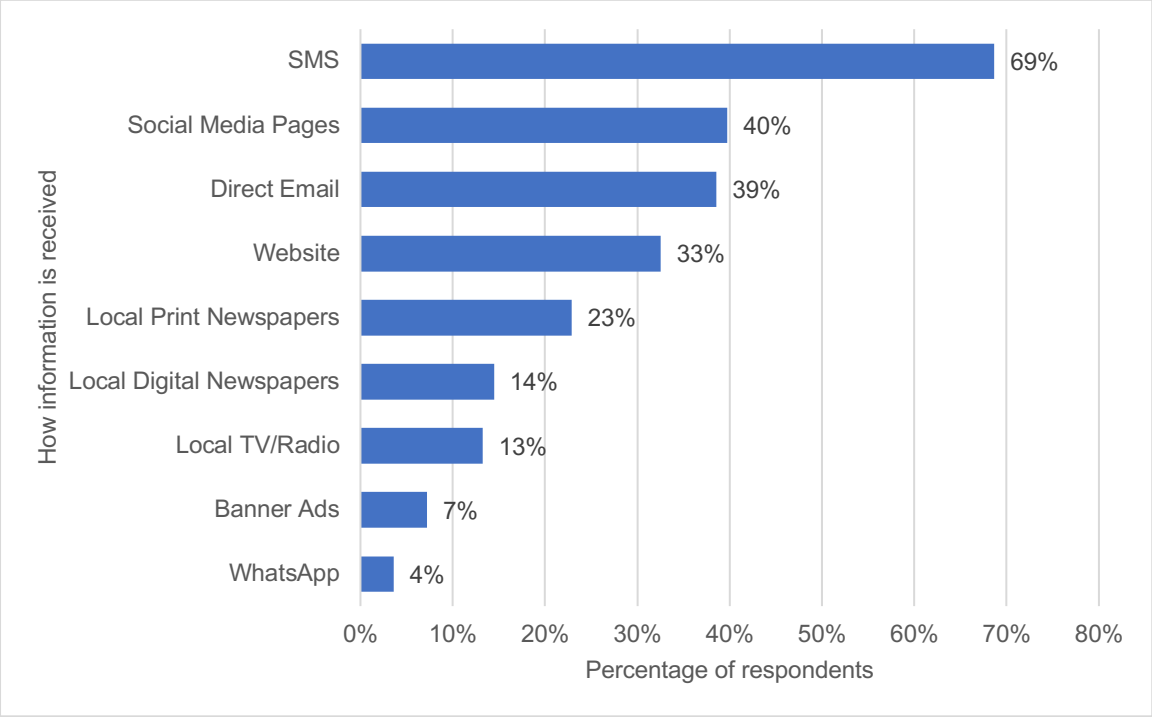


Figure 8: How information is received

69% of respondents demonstrated that they received information about marketing innovations from their used banks through SMS. There is a 5:4 use of new media channels over traditional media channels. The SMS channel leads both the category of media channels most consumed as well as the traditional media channels while social media is second at 40% on channels most consumed and leading on new media channels used.

4.2.6 Marketing Areas of improvement for top leading innovative bank

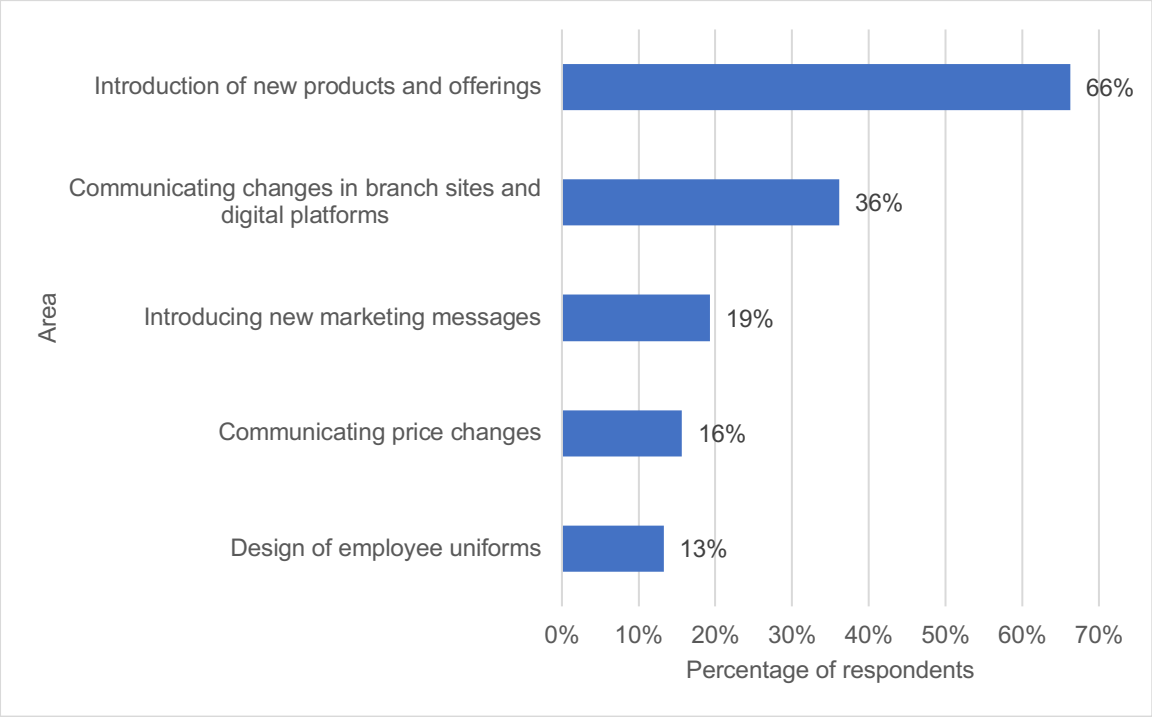


Figure 9: Marketing Areas top leading innovation bank improved on in the last 3 years

66% of the respondents identified and indicate more interest on Product marketing innovations followed by distribution or Place marketing innovations at 36% for the top leading bank to improve. Both Price and Promotional innovations scored lower at 16% and 19% on probability of those areas practiced well by the top leading innovative bank.

4.3 Validity and Reliability Results

The Confirmatory Factor Analysis (CFA) model (Suhr, 2006) was fitted to evaluate and test reliability and validity using Smart PLS as was suggested in Hair et al. (2021). The items presented in Table 1 were used for assessing the model.

Table 1: Items used for hypothesis testing

Construct	Item Name	Item Label	Measurement
Marketing Orientation	MO_08	Would you say your preferred bank considers customer inputs and feedback in how they operate?	5-point Likert scale, recorded to strongly disagree = 1 and strongly agree = 7. Thus, the higher the MO score, the higher the level of agreement
	MO_O9	The level of my knowledge and understanding of my preferred bank's products and services is satisfactory?	
Marketing Innovation	MI3_Q11	Based on your preferred bank, which of the following areas has the top leading innovation bank improved on in the last 3 years?	Based on the number on mentions. The higher the number of innovations the higher the level of agreement
Customer Satisfaction	CS1_Q13	Are you satisfied with how your preferred bank marketed its new products and offerings to you and its customers, in the last 3 years?	Extremely dissatisfied = 1 and extremely satisfied = 5. This means that the higher the satisfaction value, the higher the level of agreement.
	CS2_Q14	Are you satisfied with how your preferred bank marketed its new price lists to you and other customers, in the last 3 years?	
	CS3_Q15	Are you satisfied with how your preferred bank marketed changes about its new	

		branches or banking sites (traditional and digital) to you and its other customers in the last 3 years?	
	CS4_Q16	Are you satisfied with how your preferred bank has marketed changes on marketing and positioning messages to you and its other customers, in the last 3 years?	
Customer Loyalty	CL1	Rate your loyalty to your preferred bank as a brand.	The higher the rating the higher the loyalty.
Financial Performance	FP	In your view, which of the following banks is the largest in size, most profitable and achieved better performance	Number of mentions of any of the 3 measurements of financial performance. The score rages from 0 – 4.

Table 2: Descriptive statistics of the items used for model fitting

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
MO_Q8 Would you say your preferred bank considers customer inputs and feedback in how they operate?	83	2	7	5.17	1.218	-.415	-.539
MO_Q9 The level of my knowledge and understanding of my preferred bank's products and services is satisfactory?	83	2	7	5.69	1.070	-1.237	1.715

MI3_Q11 Number of innovation improvements	83	0	4	1.51	0.802	1.288	1.069
CS1_Q13 Are you satisfied with how your preferred bank marketed its new products and offerings to you and its customers, in the last 3 years?	83	1	5	3.46	1.085	-.769	-.268
CS2_Q14 Are you satisfied with how your preferred bank marketed its new price lists to you and other customers, in the last 3 years?	83	1	5	3.19	1.120	-.285	-.816
CS3_Q15 Are you satisfied with how your preferred bank marketed changes about its new branches or banking sites (traditional and digital) to you and its other customers in the last 3 years?	83	1	5	3.53	1.075	-.594	-.231
CS4_Q16 Are you satisfied with how your preferred bank has marketed changes on marketing and positioning messages to you and its other customers, in the last 3 years?	83	1	5	3.67	0.977	-.829	.232

CL1 Service Loyalty to preferred bank	83	0	5	3.72	1.215	-.934	.710
FP Financial Performance	83	0	3	1.20	1.197	.379	-1.423

The hypothesised model is presented in Figure 10. It can be noted that the R-square for Financial Performance was 1.7% only. This was too low, and the constructs were rearranged to improve the predictive power of the model.

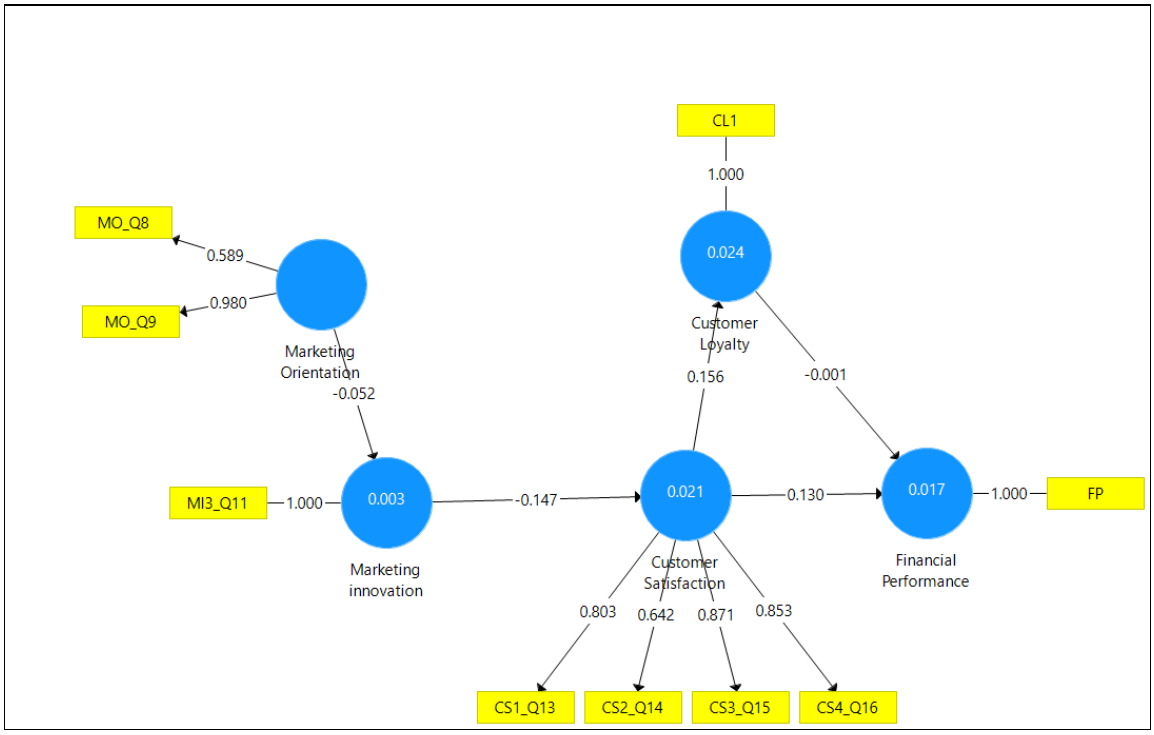


Figure 10: CFA: Hypothesised model

Table 3: Construct Reliability and Validity: Hypothesised model

	R Square	R Square Adjusted
Customer Loyalty	0.024	0.012
Customer Satisfaction	0.021	0.009
Financial Performance	0.017	-0.008
Marketing innovation	0.003	-0.010

The rearranged model is presented in Figure 11. It should be noted that one of the customer satisfaction items was moved to be a stand-alone construct as it had a low factor loading and the movement also improved the model. The model could not be improved any further.

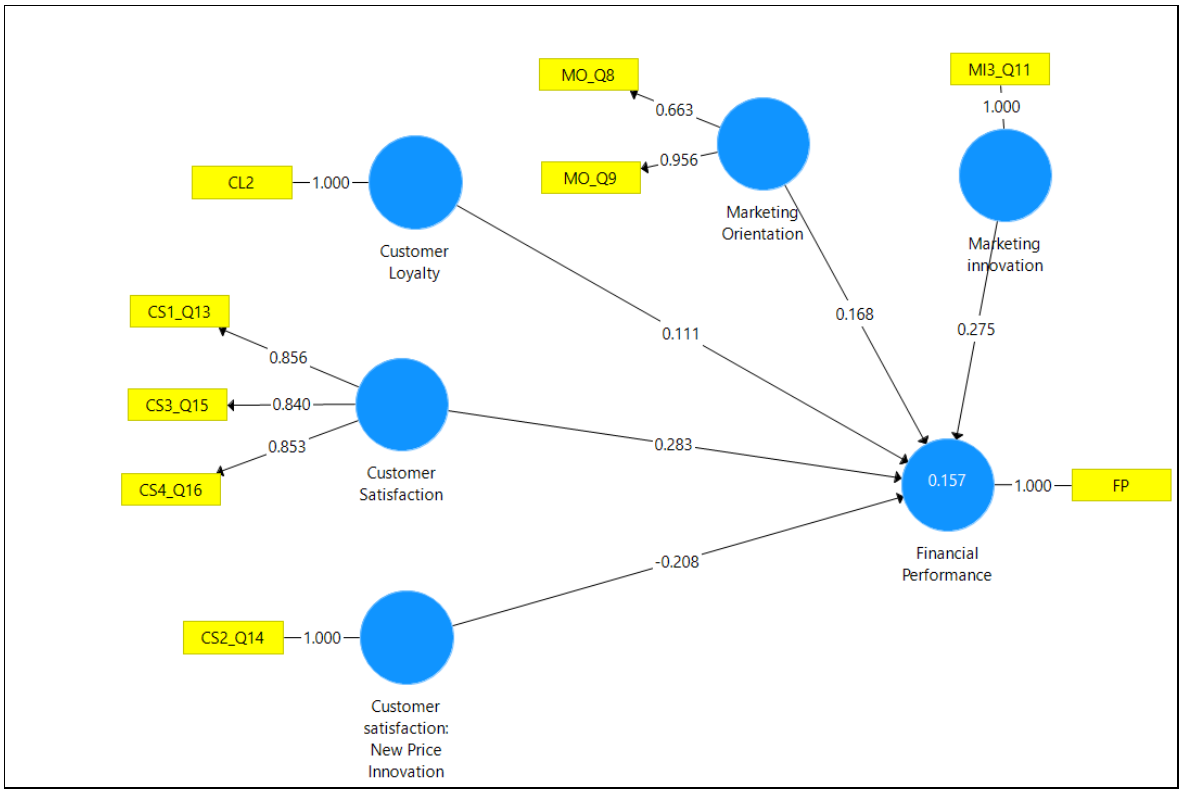


Figure 11: CFA - Final Model (Alternative)

The Construct Reliability and Validity results for the final model are presented in Table 4. The results shows that there was good internal reliability for the Customer Satisfaction (CS) construct with a Cronbach's Alpha value of 0.813 and there was reliability for the Market Orientation (MO) construct but this could not be improved any

further as it had two items only. The reliability was however still acceptable as the Cronhach's Alpha value was still above 0.5, below which it becomes unacceptable.

The other constructs had only one item hence the Cronbach's Alpha was 1.
There was convergent validity for all the constructs. The Average Variance Extracted (AVE) values came back all above the the minimum acceptable value relative least at 0.5.

Table 4: Construct Reliability and Validity – Final model

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Customer Loyalty	**1.000**	**1.000**	**1.000**	**1.000**
Customer Satisfaction	**0.813**	**0.842**	**0.886**	**0.722**
Customer satisfaction: New Price Innovation	**1.000**	**1.000**	**1.000**	**1.000**
Financial Performance	**1.000**	**1.000**	**1.000**	**1.000**
Marketing Orientation	**0.587**	**0.958**	**0.802**	**0.677**
Marketing innovation	**1.000**	**1.000**	**1.000**	**1.000**

There was divergent validity as the diagonal elements of the Fornell-Larcker Criterion presented in Table 5 were greater than the off-diagonal correlations with other constructs. This gave that the items within a construct were more correlated to items within the same construct than they were correlated to items in other constructs as required.

Table 5: Fornell-Larcker Criterion: - Final Model

	Customer Loyalty	Customer Satisfaction	Customer satisfaction : New Price Innovation	Financial Performance	Marketing Orientation	Marketing innovation
Customer Loyalty	1.000					
Customer Satisfaction	-0.096	0.850				
Customer satisfaction: New Price Innovation	-0.221	0.519	1.000			
Financial Performance	0.041	0.169	-0.075	1.000		
Marketing Orientation	-0.303	0.271	0.153	0.165	0.823	
Marketing innovation	-0.138	-0.148	-0.056	0.221	-0.049	1.000

Factor loadings presented in Table 6 show that all items loaded highly to their respective factors. All the factor loadings presented herein were specifically larger or greater than the required minimum or expected value of at least 0.4. This indicates that the constructs were valid.

Table 6: Outer Loadings: - Final model

	Customer Loyalty	Customer Satisfaction	Customer satisfaction: New Price Innovation	Financial Performance	Marketing Orientation	Marketing innovation
CL2	**1.000**					
CS1_Q13		**0.856**				
CS2_Q14			**1.000**			
CS3_Q15		**0.840**				
CS4_Q16		**0.853**				
FP				**1.000**		
MI3_Q11						**1.000**
MO_Q8					**0.663**	
MO_Q9					**0.956**	

The presence of internal consistency, convergent validity, discriminant validity implies that the multi-items scales were both reliable and valid.

Model Fit

The model fit results presented in Table 7 shows a Standardized Root Mean Square Residual (SRMR) value of 0.062, which indicates a a good fit of the model to the data. An SRMR value of less than 0.08 is considered acceptable, while a value of less than 0.05 is considered good.

The Unweighted Least Squares discrepancy (d_ULS) and Gower's centered discrepancy measure (d_G) values measure the discrepancy between the observed covariance matrix and the model-implied covariance matrix. Values less than 0.1 are considered acceptable, and values less than 0.05 are considered good. The values of 0.175 and 0.092 for d_ULS and d_G, respectively, suggest a reasonable fit of the model.

Nothing much can be said about the chi-square statistic tests as it is sensitive to sample size. A normed fit index (NFI) assess for relative fit, with values ranging from 0 to 1. An NFI value of 0.735 suggests that the model could be better as an NFI value greater than 0.90 is considered good but these measures are not assessed in isolation. Overall, the SRMR, d_ULS, and d_G values suggest a reasonable fit of the model.

Table 7: Model Fit

	Saturated Model	Estimated Model
Root Mean Square Residual (SRMR)	0.062	0.062
Unweighted Least Squares discrepancy (d_ULS)	0.175	0.175
Gower's centred discrepancy measure (d_G)	0.092	0.092
Chi-Square	47.700	47.700
Normed fit index (NFI)	0.735	0.735

4.4 Hypothesis Testing Results (Structural Equation Modelling – Smart PLS)

An SEM model with bootstrapping (1000 samples) was estimated using Smart PLS and is presented in Table 8. The detailed explanation is provided per each hypothesis in the follow-up section.

Table 8: Path Coefficient, Mean, STDEV, T-Values, P-Values – Final Model

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Customer Loyalty -> Financial Performance	0.111	0.120	0.110	1.007	**0.315**
Customer Satisfaction -> Financial Performance	0.283	0.296	0.137	2.070	**0.039**
Customer satisfaction: New Price Innovation -> Financial Performance	-0.208	-0.196	0.130	1.602	**0.110**
Marketing Orientation -> Financial Performance	0.168	0.169	0.142	1.182	**0.238**
Marketing innovation -> Financial Performance	0.275	0.269	0.110	2.509	**0.012**

Results relevant to hypothesis H1: Marketing Orientation has a positive impact on perceptions of Financial Performance of commercial banks in Lesotho.

H1: Marketing Orientation has a positive impact on Financial Performance

The results presented in Table 8 show that Marketing Orientation (B = 0.168, p-value = 0.238) had a positive but insignificant impact on Financial Performance. The impact was positive because the path coefficient for Marketing Orientation (B = 0.168) was greater than zero and was not significant because the p-value (0.238) was greater than 0.05. This implies that the null hypothesis was not rejected. This implies that there

is insufficient evidence at 5% significance level to suggest that Marketing Orientation has a positive impact on Financial Performance.

Results relevant to hypothesis H2: Marketing innovation has a positive impact on perceptions of Financial Performance of commercial banks of Lesotho.

H2: Marketing innovation has a positive impact on Financial Performance

The results presented in Table 8 show that Marketing innovation (B = 0.275, p-value = 0.012) had a positive and significant impact on Financial Performance. The impact was positive because the path coefficient for Marketing innovation (B = 0.275) was greater than zero and was significant because the p-value (0.012) was less than 0.05. This implies that the null hypothesis was rejected in favour of the alternative hypothesis. This implies that Marketing innovation has a positive impact on Financial Performance.

Results relevant to hypothesis H3: Customer Satisfaction has a positive impact on perceptions of Financial Performance of commercial banks in Lesotho.

H3: Customer Satisfaction has a positive impact on Financial Performance

The results presented in Table 8 show that Customer Satisfaction (B = 0.283, p-value = 0.039) had a positive and significant impact on Financial Performance. The impact was positive because the path coefficient for Customer Satisfaction (B = 0.283) was greater than zero and was significant because the p-value (0.039) was less than 0.05. This implies that the null hypothesis was rejected in favour of the alternative hypothesis. This implies that Customer Satisfaction has a positive impact on Financial Performance.

Results relevant to hypothesis H4: Customer satisfaction: New Price Innovation has a positive impact on perceptions of Financial Performance of commercial banks in Lesotho.

H4: Customer satisfaction: New Price Innovation has a positive impact on Financial Performance

The results presented in Table 8 show that Customer satisfaction: New Price Innovation (B = -0.208, p-value = 0.110) had a negative but insignificant impact on Financial Performance. The impact was negative because the path coefficient for Customer satisfaction: New Price Innovation (B = -0.208) was less than zero and was not significant because the p-value (0.110) was greater than 0.05. This implies that the null hypothesis was not rejected. This implies that there is insufficient evidence at 5% significance level to suggest that Customer satisfaction: New Price Innovation has a positive impact on Financial Performance.

Results relevant to hypothesis H5: Customer Loyalty has a positive impact on Financial Performance of commercial banks in Lesotho.

H5: Customer Loyalty has a positive impact on Financial Performance

The results presented in Table 8 show that Customer Loyalty (B = 0.111, p-value = 0.315) had a positive but insignificant impact on Financial Performance. The impact was positive because the path coefficient for Customer Loyalty (B = 0.111) was greater than zero and was not significant because the p-value (0.315) was greater than 0.05. This implies that the null hypothesis was not rejected. This implies that there is insufficient evidence at 5% significance level to suggest that Customer Loyalty has a positive impact on Financial Performance.

4.5 Conclusions

Table 9 depicts the findings from the alternative model tested for answers to the research questions.

Table 9: Summary of hypotheses

Hypothesis		Supported/ Not supported	Significant/ Not significant
H5	Customer Loyalty has a positive impact on Financial Performance	Supported	Not Significant

H4	Customer Satisfaction has a positive impact on Financial Performance	Supported	Significant
H3	Customer satisfaction: New Price Innovation has a positive impact on Financial Performance	Not Supported	Not Significant
H2	Marketing Orientation has a positive impact on Financial Performance	Supported	Not Significant
H1	Marketing innovation has a positive impact on Financial Performance	Supported	Significant

4.6 Summary of Chapter 4

This chapter presented the results of the statistical analysis of data that was gathered utilising a questionnaire as the data collection method of the study. The Statistical Package for the Social Sciences (SPPS) was used to prepare and analyse data. Descriptive statistics were presented and discussed. In addition, the reliability and validity of all the constructs in the model were tested. Structural Equation Modelling (SEM) was also performed, where Confirmatory Factor Analysis (CFA) and Smart PLS modelling were conducted.

CFA was performed to assess Model Fit, Reliability and Validity of the scales that were utilised in the research questionnaire. Smart-PLS was used to test and issue for model fit, and to test the hypotheses of this research study.

CHAPTER 5: DISCUSSION OF RESULTS

5.1 Introduction

The discoveries and insights from this study in chapter 4 suggest exceptional outputs to explain the statute of innovative marketing to perceptions of bank financial performance in emerging markets as Lesotho, as in similar fashion to Tajudeen Kolapo et al. (2021).

5.2 Respondent's Profiles

5.2.1 Demographics (Age, Income and Education)

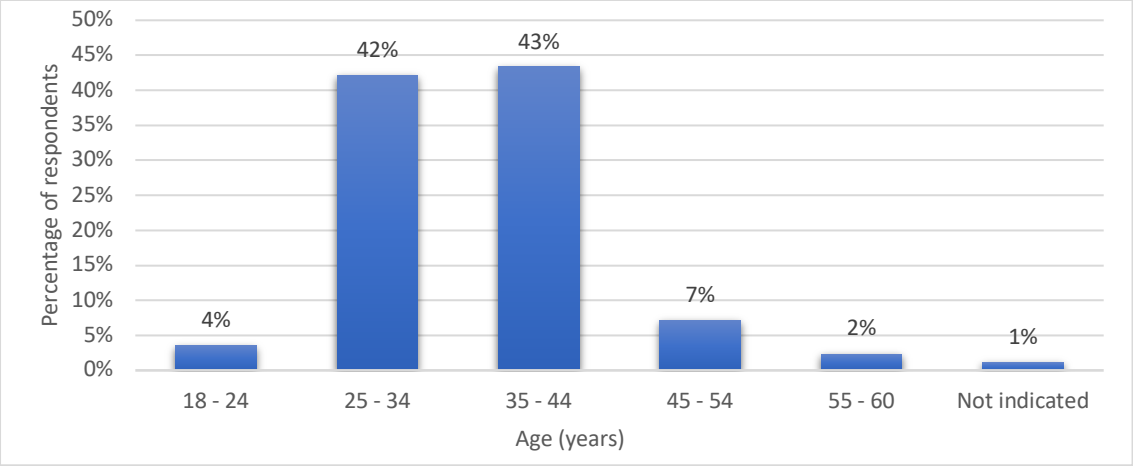


Figure 12: Age Demographics

The study was planned to cover a sample of ages between 18 years to 60 years of age in the country of Lesotho. Lesotho is an emerging market encircled by the Republic of South Africa (CBL, 2013) and (World Bank, 2004). The description reveals that of the target sample, users of commercial banking services tend to be between the years of 18 and above 60 years, although there is a concentration of users in the age bands between 25 and 44 years of age. This reconciles with the fact that only 39% of adults (18+) were banked in Lesotho which according to Hawthorne Ryan (2021) was only one percentage (1%) point more that in 2011.

At least 38% of the adult population is serviced by commercial banks in Lesotho through a comprehensive range of products and services through branches and electronic banking infrastructures, according to the IMF (2016). This reconciles with the findings in that the respondents are distributed from the wayside to the capital that is generally financially included, due to access to digital and physical banking distribution points. It is not a surprise that those earning in the ranges between M5000 and M6999 are registering low, since that is generally, by observation, representation of the emerging markets of young adults who have just entered work or SMME markets, respectively. Opportunities for use of innovative marketing strategies to drive both the financial performance perceptions at micro level as well as financial inclusion (CBL, 2013) at the macro level are imminent for this group of users of banking services.

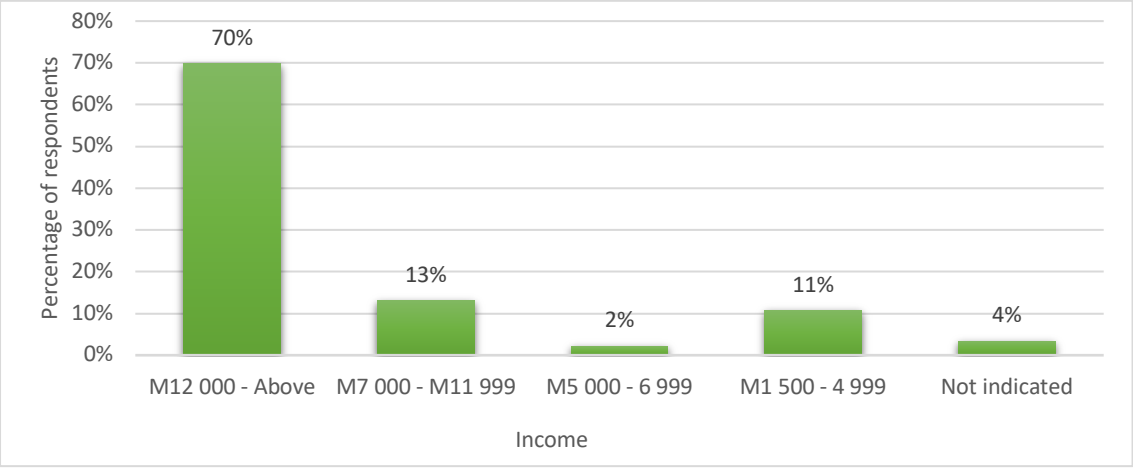


Figure 13: Income Demographics

This outcome validates the demographical element of age given the landscape in which commercial banks in Lesotho operate.

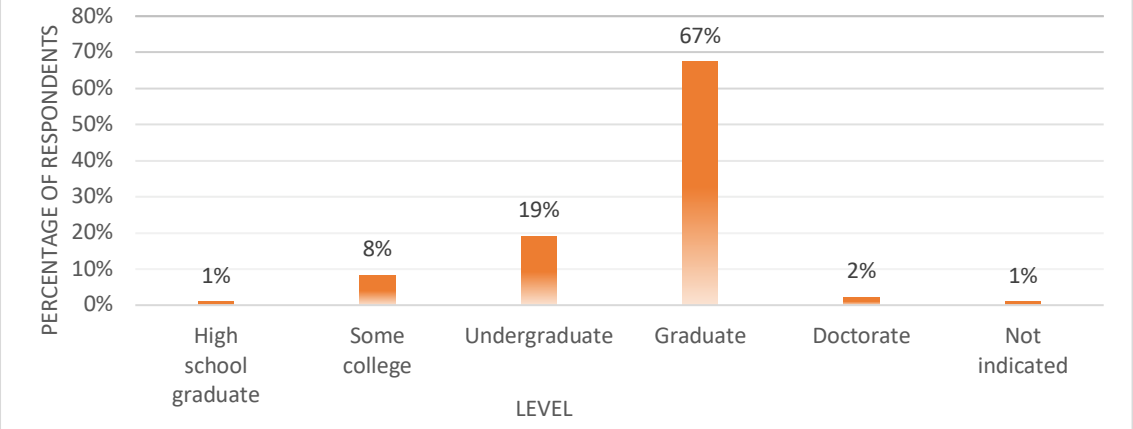


Figure 14: Education Demographics

Referring to the same authority, it is also true that this demographic is technologically savvy (Hawthorne, 2021) and would readily access internet services (IMF, 2016) and therefore able to use an online survey as this was through Qualtrics survey, therefore distributing within the relevant exchanges and parameters of the investigation.

It is no surprise that topics or investigations that seek to promote innovations, both financial and marketing, in Lesotho to achieve its financial stability mission are welcome by distribution to the literate segments of society (CBL, 2013). The density in more graduates (67%) across the spectrum is justified by the evolution we have seen in human development indices as dynamics in innovation which are rapidly enabling improved access to financial services by consumers (Beck et al., 2015) and generally, this dense result could be attributed to the evolution of industries due to the development of new marketing tools and methods as presented by Chen (2006).

5.3 Hypothesis discussion

This section discusses the findings in relation to the conceptual framework and the anchor theory, namely, marketing strategy.

Assessing common method bias.

EFA was conducted forcing all factors into one factor. The factor explained 32.424% of variation in the initial items. This implies that there was no common method bias as the total variance explained was less than 50%.

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.918	32.424	32.424	2.918	32.424	32.424
2	1.575	17.498	49.922			
3	1.204	13.379	63.301			

4	.921	10.236	73.537			
5	.645	7.172	80.709			
6	.580	6.446	87.154			
7	.495	5.496	92.650			
8	.369	4.099	96.749			
9	.293	3.251	100.000			
Extraction Method: Principal Component Analysis.						

Collinearity

The VIF values were all less than 3, implying that there was no problem on multicollinearity.

	VIF
CL2	**1.000**
CS1_Q13	**1.541**
CS2_Q14	**1.000**
CS3_Q15	**2.137**
CS4_Q16	**2.005**
FP	**1.000**
MI3_Q11	**1.000**
MO_Q8	**1.209**
MO_Q9	**1.209**

Bootstrapping

Bootstrapping results were presented and the table below is based on a bootstrapping 1000 samples. This is a screen shot from the thesis.

Table 8: Path Coefficient, Mean, STDEV, T-Values, P-Values – Final Model

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Customer Loyalty -> Financial Performance	0.111	0.120	0.110	1.007	**0.315**
Customer Satisfaction -> Financial Performance	0.283	0.296	0.137	2.070	**0.039**
Customer satisfaction: New Price Innovation -> Financial Performance	-0.208	-0.196	0.130	1.602	**0.110**
Marketing Orientation -> Financial Performance	0.168	0.169	0.142	1.182	**0.238**
Marketing innovation -> Financial Performance	0.275	0.269	0.110	2.509	**0.012**

R-Square Values

The final R-square is presented below.

	R Square
Financial Performance	0.157

Evaluation of the effect size (f2)

The final f-square results are presented below

	Financial Performance
Customer Loyalty	**0.012**
Customer Satisfaction	0.065
Customer satisfaction: New Price Innovation	0.036
Marketing Orientation	0.028
Marketing innovation	0.085

Assessment	Measure	Cut-off	Achieved	Comment
Composite reliability	Cronbach's alpha	≥0.6 for exploratory ≥0.7 for confirmatory (existing model)	Lowest was 0.587.	Slightly lower than the acceptable range
Convergent validity	AVE	≥0.50	All > 0.5	Acceptable range
Discriminant validity	HTMT	< 0.90	All values < 0.9	Acceptable range
Structural model				
Collinearity	VIF	< 3 Ideal < 5 Acceptable	All values < 3	Acceptable range
R-square-value	R-square		0.157	Week
f-square				

5.3.1 Hypothesis 1

The finding on H1 is that in some situations, Marketing Orientation has a positive impact on perceptions of Financial Performance.

Table 10: Summary of hypothesis 1

Hypothesis		Supported/ Not supported	Significant/ Not significant
H1	Marketing Orientation has a positive impact on perceptions of Financial Performance	Supported	Not Significant

The finding in the model; assumes, that in some situations, commercial banks in Lesotho are perceived to seek intelligence to understand the local market to co-ordinate information to customers using largely SMS and social media and direct email channels, thereby making it easier for these banks to implement an effective marketing strategy that improves perceptions of both their marketing and financial performances (Nurhasanah & Murwatiningsih, 2018).

In other words, commercial banks in Lesotho are perceived to practice an external marketing orientation (Schulz et al., 2017) to influence perceptions of financial performance, in some situations. It is also inferred from this result that banks in Lesotho possess market intelligence, based on understanding customer needs (Vokoun & Píchová, 2020), a unique characteristic of marketing innovation (Nadda & Arnott, 2020). Using the MO-08 measure, it was found customers confirm that their preferred bank, predominantly in Maseru, considers their inputs and feedback in how they operate.

Moreover, commercial banks in Lesotho are inferred, although only in some situations; to be satisfying these customer needs to create customer value (Sánchez-Gutiérrez et al., 2019), which ultimately results in positive perceptions of financial performance. On reflection, when applying the MO-09 measure, it was discovered of customers of banking services, predominantly in Maseru, that their level of knowledge and understanding of their preferred bank's products and services was satisfactory.

Since it should be kept that customers are an extremely valuable variable inside the innovative marketing construct (Purchase & Volery, 2020), Marketing Orientation (MO) is concluded therefore to potentially be an antecedent of marketing innovation in driving perceptions of financial performances in the banking game of Lesotho.

Conducting market inquires (category audits and brand health trackers) as well as developing market intelligence systems are marketing strategies that commercial banks of Lesotho should choose to drive perception of financial performance.

5.3.2 Hypothesis 2

The finding on H2 is that Marketing Innovation has a positive impact on Financial Performance.

Table 11: Summary of hypothesis 2

Hypothesis		Supported/ Not supported	Significant/ Not significant
H2	Marketing innovation has a positive impact on perceptions of Financial Performance	Supported	Significant

This alternative model assumes the commercial banks in Lesotho generate and implement new ideas of creating, communicating, and delivering value to customers and managing customer relationships effectively (Cascio, 2011) in creating perceptions of financial performance.

It can also be inferred that unlike in Mbama et al. (2018), marketing innovation does not depend on customer satisfaction as a mediating factor to influence positive perceptions of financial performance of commercial banks in Lesotho as it was in Taiwan. In other words, commercial banks in Lesotho need only to meet or exceed the pre-established objectives (product design, product placement and packaging, pricing and promotion) of their marketing strategies (Biégas, 2018) and they shall directly influence positive perceptions of financial performance.

Since perceptions of financial performance (FP) were tested using the Return on Assets (ROA) (Keisidou et al., 2013) ratio and Marketing Innovation (MI) using the 4Ps of marketing, it can be inferred that the latter work towards (Moreira et al., 2012)

creating a perception of profitable (ROA) performances by the banking sector in Lesotho.

The Marketing Innovation (MI) construct was tested and discovered through the MI3 measure and noted significant areas of innovation that the banks used to grow their influence in the last three years.
Consequently, in this model, Marketing Innovation (MI) is an antecedent to perceptions of Financial Performance (FP) of commercial banks in Lesotho. As such, the 4Ps of the marketing mix strategy should be chosen by the banking sector of Lesotho to drive perceptions of financial performance, especially the product innovation strategy of introducing new products and offerings.

5.3.3 Hypothesis 3

The finding on H3 is that Customer Satisfaction has a positive impact on perceptions of Financial Performance.

Table 12: Summary of hypothesis 3

Hypothesis		Supported/ Not supported	Significant/ Not significant
H3	Customer Satisfaction has a positive impact on perceptions of Financial Performance	Supported	Significant

This result reaffirms that earlier result, in that customer satisfaction is a key concept in strategic marketing (Eklof et al., 2018) and an invaluable factor in the performance (Belás & Gabčová, 2016) of commercial banks in Lesotho, and performance in this context, refers to profitability of banks as a standard (Keisidou et al., 2013) of perceived financial performance. The model also assumes that users of commercial banks in Lesotho are satisfied or fulfilled (Keisidou et al., 2013) which infers the same banks have a higher profitability (Belás & Gabčová, 2016). It is also inferred that the measures of customer satisfaction applied in this current study fit the studied banks' overall business and marketing strategy to be relevant as was the case in Winstanley (1997).

The use of profitability ratios in this model to measure perception of financial performance of commercial banks in Lesotho is supported, considering that that subjective feelings and sensations form part of the measurable parameters as in Belás and Gabčová (2016).

Customer Satisfaction (CS), as a construct, was measured and produced positive results using the key components of the anchor theory, marketing strategy in this alternative model. The first item of measure was CS1 (product and offerings), the second was CS3 (Placement) and the third was CS4 (Promotions). Except for CS2 (Price) which is discussed later, the model found that only the three components of marketing strategy – 4Ps framework should be chosen by the commercial banks of Lesotho to influence positive perceptions of financial performance.

5.3.4 Hypothesis 4

The finding on H4 is that Customer satisfaction - New Price Innovation has a negative impact on perceptions of Financial Performance.

Table 13: Summary of hypothesis 4

Hypothesis		Supported/ Not supported	Significant/ Not significant
H4	Customer satisfaction: New Price Innovation has a positive impact on perceptions on Financial Performance	Not Supported	Not Significant

New price innovation (CS2) strategies as a commitment to customer satisfaction has neither a relationship nor positive impact on Financial Performance (FP). In other words, commercial banks in Lesotho may not choose the Price innovation strategies to influence positive financial performance. This outcome does not even answer the question on how the same banks can implement marketing innovation strategies effectively as it is solidly discounted.

The argument in Winstanley (1997) that although customer satisfaction is important, it is not entirely a goal in itself is supported. Also, it is not always that price changes (interest or prime rates) often help banks to promote intimate relationships with customers and bring them into a situation when customers become promoters of the organization, that is different from Belás and Gabčová (2016). The same authors (Belás & Gabčová, 2016) are supported by this finding in that managing customer satisfaction in a commercial bank can be extremely difficult. Similarly, Purchase and Volery (2020) are not supported in the assertion that the objective of pricing innovation strategies is to increase both customer satisfaction and company profits. It is the latter that is conclusively found lacking support although there is a mutual partition with the former.

5.3.5 Hypothesis 5

The finding on H5 is that, in some situations, Customer Loyalty has a positive impact on perceptions of Financial Performance.

Table 14: Summary of hypothesis 5

Hypothesis		Supported/ Not supported	Significant/ Not significant
H5	Customer Loyalty has a positive impact on perceptions of Financial Performance	Supported	Not Significant

CL1 measure was used to test and measure the service loyalty of preferred banks. The model assumes that, in some situations, customer loyalty has a positive impact on financial performance. Eklof et al. (2018) is somewhat supported that a fulfilled customer, by being loyal, leads to higher revenues and consequently, to better financial performance. Similarly, there is a slight support for Belás and Gabčová (2016) purporting that when banks implement new marketing methods and activities, close relationships with banking customers is created which breeds loyalty that ultimately leads to the generation of economic returns – perception of financial performance.

In answering the research questions, commercial banks of Lesotho may create customer loyalty programmes toward identified satisfied customers of the products, branches, and promotions to influence positive perceptions of financial performance.

5.4 Summary of Chapter 5

Chapter 5 discussed the survey results starting with the respondent profile. The demographics that are relevant for choice and implementation of innovative marketing strategies that can influence positive financial performances are reviewed. These include age, income and educational demographics within the financial services and banking spheres in Lesotho. There is a match between the demographics frequencies and distribution of the respondents to the banking sector landscape. Relevant authorities are considered in establishing the extent of innovations and dynamics involved in advancing the financial inclusion and stability mission through financial and marketing innovations. Chief of these is access to the use of electronic systems which automatically implies technological savvy in affluent and emerging mass retail markets with large concentrations of university trained and graduated people. There is also discussion on hypotheses results. The validity and reliability of these hypotheses is proven correct at 0.05 level of significance.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

Innovative marketing, as an academic and management concern, is about understanding marketing that is innovative in helping marketing professionals and academics design and implement policies that deliver economic benefits in financial performances as well as financial inclusion in emerging markets. This chapter is about rounding up conclusions and suggesting recommendations on how commercial banks in emerging markets can determine which innovative marketing strategies they should choose in influencing positive perceptions of financial performance.

The purpose of this current study was to investigate innovative marketing and the financial performance of banks in Lesotho. Financial Performance was a dependent variable of the study while Marketing Orientation, Marketing Innovation, Customer Satisfaction and Customer Loyalty were independent variables for which innovative marketing strategies were intended to be positively mentioned (O'Dwyer et al., 2009). The data were collected through an online survey site, Qualtrics between October and December 2022 to test these relationships through a proposed conceptual model holding five (5) hypotheses.

The literature review generally indicated positive relationships between the constructs with Customer Satisfaction as a mediating variable. Due to the difficulty and time pressures in designing sample frames, a ninety-six (96) sample size was determined and out of these, 83 responses were deemed valid for data analysis and hypothesis testing.

The following is the synopsis of the findings of the current study.

6.2 Synopsis of the findings

The gap of the current study was to review innovative marketing as an influence of consumer perceptions of financial performances in commercial banks in Lesotho, as this had not yet been conducted. The purpose of this journey was to gain insights on what marketing innovation strategies the banks can determine and choose to apply in promoting their own financial health as well as to contribute to the broader issue of financial inclusion and stability in Lesotho, as an emerging market. These was then aimed at exploring and understanding the relationship between marketing orientation, marketing innovation, customer satisfaction, customer loyalty and financial performance. From the assessment of the five alternative suppositions that were advanced through a confirmatory factory analysis (CFA) model using SPPS software, the research results were properly checked and affirmed that there is stable and relevant connection between marketing innovation to perceptions of financial performance as well as that of customer satisfaction to perceptions of financial performance.

These followed a complete rejection of the initial conceptual where the relationships were not supported when running a CFA analysis. These then invited a null and alternative scenario of pursuing the research aim as well as questions to provide the answers.

The individual relationships between H1, H2, H3, H4, and H5 are demonstrated below in Table 15 and Table 16 respectively.

Table 15: Study Outcomes

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Customer Loyalty -> Financial Performance	0.111	0.120	0.110	1.007	**0.315**
Customer Satisfaction -> Financial Performance	0.283	0.296	0.137	2.070	**0.039**
Customer satisfaction: New Price Innovation -> Financial Performance	-0.208	-0.196	0.130	1.602	**0.110**
Marketing Orientation -> Financial Performance	0.168	0.169	0.142	1.182	**0.238**
Marketing innovation -> Financial Performance	0.275	0.269	0.110	2.509	**0.012**

Table 16: Summary of hypotheses

Hypothesis		Supported/ Not supported	Significant/ Not significant
H5	Customer Loyalty has a positive impact on Financial Performance	Supported	Not Significant
H4	Customer Satisfaction has a positive impact on Financial Performance	Supported	Significant
H3	Customer satisfaction: New Price Innovation has a positive impact on Financial Performance	Not Supported	Not Significant
H2	Marketing Orientation has a positive impact on Financial Performance	Supported	Not Significant
H1	Marketing innovation has a positive impact on Financial Performance	Supported	Significant

The research results do illustrate a significantly positive relationship between marketing innovation and financial performance at 0.012 path coefficient. This conclusion is coherent and consistent with the proposition made in alternative H1 that a marketing innovation (MI) has a positive impact on perceptions of financial performance (FP).

Alternative H2 revealed a passive relationship between marketing orientation (MO) and perceptions of financial performance (FP) at 0.238 path coefficients. The conclusion supports the supposition but lacks sufficient evidence to significantly confirm the relationship.

Customer satisfaction (CS3), carrying the new price innovation strategy, illustrates a weak and negative relationship to it and between financial performance (FP) at 0.110 path coefficient values. The conclusion does not support the H3 supposition of a relationship between customer satisfaction: new price and perceptions of financial performance. The advanced levels of customers satisfied with new price innovations related to low levels of perceptions of financial performance.

The significance and path coefficients of customer satisfaction carrying the new product, placement and promotion and perceptions of financial performance are strong and positive at 0.039, which is congruent with the hypothesis made in H4. This implies that advanced levels of customer satisfaction: 3Ps are related to greater levels of perceptions of financial performance.

The theory that was put forward to support customer loyalty to perceptions of financial performance in H5 was supported but not substantiated at 0.315 path coefficient.

The outcome of the study confirmed that only two (2) of the research hypotheses are positive and significant. These gives clarity on the support of theory that marketing innovation has a positive impact on perceptions of financial performance which amplifies the marketing strategy theoretical anchor in that marketing innovation strategies are essential for selecting provisionally and implementing these to analysed situations for the influence of positive financial performances of banks in Lesotho.

Also, that Customer satisfaction: 3Ps delivers the relevant marketing mix innovation strategies that commercial banks in Lesotho can implement to drive financial performances.

6.3 Implications of the study

The current study has several academic and practical implications.

6.3.1 Academic Implications

Innovation is an academic topic that is receiving positive attention and dedication in the academic world, yet at a slow pace. Innovation touches on several areas of intellectual inquiry yet the same has been defined and pushed toward the technological innovation corner. Innovation in business and marketing is an area that is of significance to explaining marketing literature. The current study findings reveal patterns to the effect of neglect or isolation on the topic of innovative marketing in emerging markets. The conceptual model, as per the literature, was rejected through testing due to such slow submissions on the topic where translation of models would be easy to forecast into different academic contexts. The reality is that there is not a single study conducted before in Lesotho, even in the SADC region upon the topic of innovative marketing with regards to the delivery of perceptions of financial performances, not only promotes the question to the gap but also demonstrates the significant contribution to the marketing literature the current study has provoked. Future researchers should touch on the conceptual models and test them in their environments to discover variances.

The study findings explain marketing strategy literature. As much as marketing strategy frameworks are multiple in nature, this study has demonstrated that such a field is dynamic and situational. The latter refers to customer satisfaction strategies introducing the effectiveness of not the original marketing mix (4Ps) model but rather the resultant off the positive impact of the marketing mix (3Ps) to financial performances within the context of an emerging market. Consequently, this presents a challenge to the academic world to further explore modifications to the articulation

and modelling of the marketing mix framework to not only financial services firms, but to business as well. A new theoretical perspective in marketing and marketing strategy literature has been identified and channelled for further and wider investigation.

6.3.2 Managerial Implications

The study findings have confirmed that innovation is different from creativity, through action. This is seen in marketing innovation returning solid and persuasive information in its impact on financial performances. The usefulness of innovation is in its implement of dynamic and relevant strategies. Managers should find in this study, marketing strategies that are innovative in nature, meaning implementable, in driving the relevant customer value conversations and roadmaps to generating the desired financial performance for their firms and banks.

Financial performance and the positive perception of a firm performing financially is essential for the sustainability of the same firm and market structure. There is enough trust generated and other reputational elements that support the financial health of a bank or business. With the findings of this study, managers can further test investments in improving marketing orientation philosophies for the creation of the relevant 3Ps (Product, Placement, Promotion) to satisfying customer needs and users in pursuit of profitability. This is evidence of innovation of a marketing strategy that is adequate to achieve market environment success.

6.3.3 Policy Design Implications

Financial services firms in Lesotho are all responsible for including as many Basotho as possible financially. Having this agenda as the purpose to business is touted for creating financial stability for an African emerging setting like Lesotho. The findings of the study indicate that regulators of financial services firms in Lesotho at macro-economic policy and fiscus levels need to promote innovation, particularly marketing innovation, to supplement financial innovation efforts for reliable results in reaching for stability through inclusion.

Marketing innovation is a precept of marketing strategy. Financial services need to be promoted to move the needle on the unbanked in emerging economies, such as Lesotho; this can be achieved through the use of innovative marketing strategies that promote benefits such as new methods of financial products and to their marketing, new methods of distributing and packaging financial products and solutions as well as new methods of communication and promotions even when channels remain a mix of new and traditional media.

Reaching the relevant populations within the several sectors of society is crucial if policies are to succeed. The saturation toward the educated due to technology inclinations alone perpetuates the problem even further. What this current study has demonstrated is that the unbanked are less educated, earn less income and are in rural areas where gender sensitivity is irrelevant to the make of the financial solution put in place. Therefore, policymakers are to experience options to think and consider in the roadmaps on marketing innovation strategies they can implement in delivering strong financial performance results, especially the positive perceptions of the financial performance.

6.4 Recommendations

The current study proposes the following recommendations for marketing managers, executives, academics and policy makers to consider in their planning.

Strategic marketing management

For businesses and banks to sustainably compete and thrive in the financial services industry, it is essential to orientate the marketing departments from the traditional marketing management philosophy to one that is managerially strategic. Strategic marketing is a field that builds from a customer needs perspective to creating value through that intelligence (Shaw & Wooliscroft, 2012). Unlike marketing management orientation, strategic marketing is long-term in nature. The logic herein is that when companies adopt this philosophy, innovative marketing strategies implemented in that environment are expected to generate long-term sustainable competitive advantages for the same through sustained marketing and financial performances.

Marketing Innovation Practice

Since marketing innovation is now officially and intellectually a single item or a stand-alone innovation concept within the umbrella of innovations, as per the Oslo Manual of 2005, it then offers several opportunities for industry.

The first opportunity is that marketing managers can write white papers to their management and board levels introducing new methods of product, design, pricing packaging, distribution and advertising the value propositions to their respective markets. A change of the marketing mix framework in the real world is essential and necessary (Purchase & Volery, 2020). This thinking liberates both marketing strategies and competitive organizations in that the changes that are implemented upon this commercial practice – marketing mix models; are significant because they are unconventional and have been proven to evolve industries (Chen, 2006).

The second opportunity is efficient resource allocations (Gupta et al., 2016) within commercial entities. Since resources are limited in nature and through business experience, there is value in having functionalities and capabilities innovated through new marketing practices; as such, this gives managers the confidence to prioritize goals accordingly and thereby promotes better decision-making on resources relevant to support such strategic mandates.

6.5 Conclusions

The study is set in the emerging market situation in Lesotho. Lesotho is a currency participant to the South African Rand. This is due to geographical proximity to the Republic of South Africa and its custom protocols. This means regulation of monetary and fiscus policies in Lesotho is fundamental. The economy of Lesotho is regulated by the Central Bank of Lesotho (CBL) that issue licences and governance to commercial banks of Lesotho for economic growth mandates. Commercial banks generate value to emerging markets by including local citizens financially in the economy. This is not always successful, due to dynamic environments and there are serious gaps in Lesotho that the CBL is functioning to create policies to stimulate

financial inclusion for more than 39% of Basotho, thereby creating stability in the economy.

Consequently, this mandate puts pressure on commercial banks in Lesotho to achieve significant financial performances individually and collectively for contribution to the financial inclusion drive. Financial performances of commercial banks are measured via several techniques and models including CAMELS, Profitability (ROA) and Perceptual assessments (Customer satisfaction). It is important to measure financial performances of commercial banks in Lesotho to gauge their contribution and even suggest controls in their adopted strategies.

Strategies which commercial banks do use to create value for financial services customers has historically been focused on technological innovations, in ATMs, Credit Cards, Digital Payment systems and other recent new methods. These have been effective in improving access to existing products and services offered by the same commercial banks, albeit limited to generating sufficient demand in the unbanked groups in Lesotho as those hard technological tools are not relevant to their daily lives.

Therefore, there is the need for commercial banks to tap into the innovation umbrella and find other single and soft innovations, such as organizational and marketing innovations. Marketing innovations are defined by the Oslo Manual of 2005 as new methods of product, design, placement, and promotions to guide and deliver value propositions. On reflection, marketing literature argues that these functions belong to the marketing mix model used to articulate marketing strategies.

These marketing innovations are evolving and comprehensive that such may not be measured in hard measures, rather, perceptual, although quantifiable outcomes can be used and discovered. In other words, measuring perceptions of financial performance is relevant in explaining the effectiveness of marketing innovations that commercial banks use in driving their marketing strategies for improving the financial inclusion needle.

The current study is based on this perspective. The investigation of innovative marketing strategies that commercial banks in Lesotho are using to drive perceptions

of financial performance and to find answers to which of those strategies are effective and can be further chosen to influence and drive such perceptions of financial performance. The aim and significance of this approach in the study is to contribute to marketing strategy literature in how marketing mix models and financial management measurement theories in the marketing-finance relationship can be studied in the future to enabling emerging markets to achieve sustainable competitive advantages.

This current study anchored the marketing-finance relationship on the marketing strategy theory which zoned in on the marketing mix framework, 4Ps. The theory is aligned to marketing innovation and offers perceptual measurement units to financial performance as a dependent variable, as per the literature review.

The questionnaire was designed with 20 questions that were used to test the descriptive as well as perceptual inferential outcomes. The questionnaire was designed using an online survey platform, Qualtrics. Qualtrics was used to collect date targeting users and consumers of commercial banking services in Lesotho. This process took place between October and December 2022, targeting ninety-six (96) 18–60-year-old customers of four commercial banks in Lesotho through email, WhatsApp, and LinkedIn platforms. The constructs investigated were marketing orientation, marketing innovation, customer satisfaction, customer loyalty and financial performance.

Data was analysed using SPSS 28 to run both descriptive and inferential statistics for the identification of key findings and insights. The inferential statistics was derived through a Structural Equation Modelling (SEM) where the famous Confirmatory Factor Analysis (CFA) was used with Smart – PLS on the basis of a small sample size. The reliability and validity measures were valid and confirmed to support hypothesis testing using several significance models including path coefficients of not more than 0.05%. The results indicate educated 25-44 customers living in Maseru are dominant users and are a retail emerging mass and affluent by income ranges consumers of commercial banking services in Lesotho, perhaps due to technological innovations in the capital city.

Furthermore, the model tests rejected the initially proposed model, indicative of dynamism of the landscape in financial services in Lesotho and was therefore tested on an alternative model. The results also found that marketing innovation has a positive impact on perceptions of financial performances of commercial banks in Lesotho as well as customer satisfaction: 3Ps had a strong and persuasive impact on perceptions of financial performances in commercial banks in Lesotho. Instead of 4Ps being affirmed through customer satisfaction perceptual measurement, it was fascinating to discover the other (P) element, which is Price carried in Customer Satisfaction construct, promote a negative impact to perceptions of financial performance of commercial banks in Lesotho. This is contextually true as well from observation. This, however, contributes to marketing strategy literature in that the 4Ps model in this current study is innovated.

Marketing managers, policymakers, and marketing researchers have some key recommendations to consider in this current study. This includes consideration of adopting strategic marketing orientations within their organisations as well as implementing marketing innovations to support and leverage existing technological innovations to sustainable competitive advantages that have been proven through literature, positive perceptions of financial performance.

6.6 Limitations and suggestions for further research

The current study had to contend with a few difficulties and successes. This section reflects on the limitations of the study. The sample size was rather small in this study at 96 respondents. Future studies would benefit in increasing the respondent sample frame and size. The difficulty lay in determining the sizable response frame, given the low computational skills by the researcher in interpreting available macro readings of users and consumers of commercial banking services who would be affected experientially by such.

The study could also have used secondary data to run financial ratios from financial statements of the four commercial banks in Lesotho. This approach would have checked the hard measures of the impact of marketing innovation as least in the period horizon of three years. There were time constraints involved to running such

standardized metrics and it is recommended that future studies in the emerging markets run both perceptual/subjective and ratio analysis to tabulate and confirm some of these data identities.

The current study omitted to ask the gender question in descriptive frame. This was unintentional, although rationalised in that marketing innovation may not always be desiring of gender tests. However, it is recommended that future studies ought to include a gender description question to model test this assumption of gender inclusion in marketing innovation surveys. Perhaps another aspect of this can be to involve other variables that can explain financial inclusion in emerging markets.
The study also did not do well on the number of measurement units to test constructs. Some constructs used but one unit of measure and this affects the significance of the results. Future studies are recommended to align units of measurement to more perceptual metrics and increase the quantum of those.

6.8. Summary of Chapter 6

The chapter delivered conclusion notes on the current study. Learnings and recommendations were suggested for marketing managers, policymakers, and marketing researchers on innovative marketing relationships to perceptions of financial performance of commercial banks of Lesotho. Limitations and suggestions for further research were presented and the conclusion of the current study is that both marketing innovation and customer satisfaction: 3Ps have a positive impact on financial performance of commercial banks in Lesotho.

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APPENDICES

Appendix A: Covering Letter

Good day,

My name is Motsieloa Nonyane and I am a Master of Management Student in the field of Strategic Marketing at Wits Business School in Johannesburg.

As part of my studies, I must undertake a research project and my area of research study investigates **innovative marketing and financial performance in the banking sector of Lesotho.**

Therefore, you are invited to participate in this research study.

The information required from this questionnaire will be used solely for academic purposes. The entire survey should take about 10-15 minutes to complete. Your participation is voluntary and there are no right or wrong answers.

There will be no financial benefit for participating in this study. You may withdraw from this study at any stage or not answer any questions if you feel uncomfortable. This survey is both confidential and anonymous. Anonymity and confidentiality are guaranteed by not needing to provide any personal details on the questionnaire.

In addition, your participation involves no risk, no disadvantages, penalties, or loss of benefits if you do not choose to participate or if you withdraw from the study.

Your response will be of great value to this study.

Please feel free to contact my supervisor, Neale Penman, or me should you have any questions regarding my study or would like to access a summary of my research.

If you have any concerns or complaints regarding the ethical procedures of this study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +2711 717 1408, or email hrec-medical.researchoffice@wits.ac.za

Thank you for considering taking part in the study.

The survey can be accessed on the link below:
https://qfreeaccountssjc1.az1.qualtrics.com/jfe/form/SV_1FXn3rEPEamSTCS

Yours Sincerely,

Researcher: Motsieloa Nonyane

Email: 2470109@students.wits.ac.za
Contact number: +266 58594713

Supervisor Neale Penman
Email: neale.penman@gmail.com

Appendix B: Questionnaire

Innovative Marketing and Financial Performance of the banking sector in Lesotho

Survey Flow
Standard: Introduction (2 Questions)
Block: Marketing Orientation (9 Questions)
Standard: Marketing Innovation (3 Questions)
Standard: Consequences (8 Questions)



Q28 Your participation in the study is very important to us.

You may choose not to take part in the study and may also stop at any point without any negative consequences.

You will not receive any financial benefit from this study; however, your participation will contribute to a wealth of academic knowledge in the country and globally.

The results of the study will be used for academic purposes only and may be published in an academic journal.

Please answer the questions as completely and honestly as possible.

Please indicate your acceptance or refusal to complete the survey.

- ○ Yes, I give consent (1)
- ○ No, I do not give consent (2)

End of Block: Introduction

Start of Block: Marketing Orientation

Q1 What is your age group?

- ○ 18 - 24 (1)
- ○ 25 - 34 (2)
- ○ 35 - 44 (3)
- ○ 45 - 54 (4)

○ 55 - 60 (5)

Q2 What is your income bracket?

○ M12 000 - Above (1)

○ M7 000 - M11 999 (2)

○ M5 000 - 6 999 (3)

○ M1 500 - 4 999 (4)

Q3 What is your highest educational qualification?

○ Less than high school (1)

○ High school graduate (2)

○ Some college (3)

○ Undergraduate (4)

○ Graduate (5)

○ Doctorate (6)

Q4 Please choose the branch district in which you do your most banking transactions?

○ Maseru (1)

○ Berea - TY (2)

○ Leribe - Maputsoe (3)

○ Leribe - Hlotse (4)

○ Butha Buthe (5)

○ Mokhotlong (6)

- ○ Qacha's Nek (7)
- ○ Thaba Tseka (8)
- ○ Semonkong (9)
- ○ Mafeteng (10)
- ○ Mohale's Hoek (11)
- ○ Quthing (12)



Q5 Which of the following banks do you personally receive banking services?

- ☐ First National Bank of Lesotho (FNBL) (1)
- ☐ Nedbank Lesotho (Nedbank) (2)
- ☐ Lesotho Post Bank (LPB) (3)
- ☐ Standard Lesotho Bank (SBL) (4)
- ☐ All (5)



Q6 Which of these brands do you specifically prefer?

- ○ First National Bank of Lesotho (FNBL) (1)
- ○ Nedbank Lesotho (Nedbank) (2)
- ○ Lesotho Post Bank (LPB) (3)
- ○ Standard Lesotho Bank (SBL) (4)

Q7 How do you get information about changes and updates (product, price, service centers and promotions) from your preferred bank?

- [ ] Direct Email (1)
- [ ] SMS (2)
- [ ] WhatsApp (3)
- [ ] Website (4)
- [ ] Banner Ads (5)
- [ ] Local Digital Newspapers (6)
- [ ] Local Print Newspapers (7)
- [ ] Local TV/Radio (8)
- [ ] Social Media Pages (9)

Q8 Would you say your preferred bank considers customer inputs and feedback in how they operate?

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)

○ Strongly disagree (7)



Q9 The level of my knowledge and understanding of my preferred bank's products and services is satisfactory?

○ Strongly agree (1)

○ Agree (2)

○ Somewhat agree (3)

○ Neither agree nor disagree (4)

○ Somewhat disagree (5)

○ Disagree (6)

○ Strongly disagree (7)

End of Block: Marketing Orientation

Start of Block: Marketing Innovation



Q10 Choose one of these banks by the quality of their innovation (products, pricing, branch sites and positional messaging) in the last 3 years

○ FNBL (1)

○ Nedbank (2)

○ LPB (3)

○ SBL (4)



Q11 Following on the last question, Which of the following areas has the top leading innovation bank improved on in the last 3 years?

☐ Introduction of new products and offerings (1)

- [ ] Communicating price changes (2)
- [ ] communicating changes in branch sites and digital platforms (3)
- [ ] Introducing new marketing messages (4)
- [ ] Design of employee uniforms (5)

Q12 Following on the last question, Which of the following areas do you look forward to the most from any bank?

- ○ Introduction of new products and offerings (1)
- ○ Communicating price changes (2)
- ○ communicating changes in branch sites (3)
- ○ Introducing new marketing messages (4)
- ○ Design of employee uniforms (5)

End of Block: Marketing Innovation

Start of Block: Consequences

Q13 Are you satisfied with how your preferred bank marketed its new products and offerings to you and its customers, in the last 3 years?

- ○ Extremely dissatisfied (1)
- ○ Somewhat dissatisfied (2)
- ○ Neither satisfied nor dissatisfied (3)
- ○ Somewhat satisfied (4)
- ○ Extremely satisfied (5)

Q14 Are you satisfied with how your preferred bank marketed its new price lists to you and other customers, in the last 3 years?

- ○ Extremely dissatisfied (1)
- ○ Somewhat dissatisfied (2)
- ○ Neither satisfied nor dissatisfied (3)
- ○ Somewhat satisfied (4)
- ○ Extremely satisfied (5)

Q15 Are you satisfied with how your preferred bank marketed changes about its new branches or banking sites (traditional and digital) to you and its other customers in the last 3 years?

- ○ Extremely dissatisfied (1)
- ○ Somewhat dissatisfied (2)
- ○ Neither satisfied nor dissatisfied (3)
- ○ Somewhat satisfied (4)
- ○ Extremely satisfied (5)

Q16 Are you satisfied with how your preferred bank has marketed changes on marketing and positioning messages to you and its other customers, in the last 3 years?

- ○ Extremely dissatisfied (1)
- ○ Somewhat dissatisfied (2)
- ○ Neither satisfied nor dissatisfied (3)
- ○ Somewhat satisfied (4)

○ Extremely satisfied (5)

Q17 Rate your loyalty to your preferred bank(s) as a brand.

FNBL (1)	☆	☆	☆	☆	☆
Nedbank (2)	☆	☆	☆	☆	☆
LPB (3)	☆	☆	☆	☆	☆
SBL (4)	☆	☆	☆	☆	☆

Page Break

Q18 In your view, which of the following banks is the largest in size? (Please rank.)

- FNBL (1)
- Nedbank (2)
- LPB (3)
- SBL (4)

Q19 In your view, which of the following banks is the most profitable (Return on Assets) compared to other banks in Lesotho?

- FNBL (1)
- Nedbank (2)
- LPB (3)
- SBL (4)

Q20 In your view, which of the following banks has achieved better financial performance from their marketing innovations, in the last 3 years?

- FNBL (1)
- Nedbank (2)
- LPB (3)
- SBL (4)

End of Block: Consequences

Appendix C: Ethics Clearance

Graduate School of Business Administration
University of the Witwatersrand, Johannesburg

Wits Business School Ethics Committee
Constituted under the University Human Research Ethics Committee (Non-Medical)

Ethics Clearance Certificate

Ethics protocol number: WBS/SM2470109/256
This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below).

Project title	Innovative marketing and financial performance in the banking sector in Lesotho
Investigator / Researcher	Mr Motsieloa Nonyane
Nature of Project	MM (Strategic Marketing)
Decision of the Committee	Approved, provided stakeholders and participants are guaranteed anonymity and confidentiality.
Issue Date of Certificate	2023-02-09
Expiry date	Date of submission of the project / research report
Chairperson	Dr Pius Oba ☎ +27 11 717 3976 +27 82 733 6587 ✉ pius.oba@wits.ac.za

Declaration by Researcher

One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.

I fully understand the conditions under which I am authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I undertake to resubmit the protocol to the Committee.

Signature

09 February 2023
Date: