https://doi.org/10.58225/tim.2025-1-326-333

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Məqalə redaksiyaya daxil olub 12.02.2025
The article was received by editorial board on 12.02.2025
Статья принята к печати 12.02.2025

THE IMPACT OF MOBILE BANKING ON MARKETING COMMUNICATIONS IN AZERBAIJAN'S BANKING INDUSTRY

Abstract

The rapid development of technology in recent times and current market trends also impact the banking sector. Today, the banking sector is at the forefront of Azerbaijan and the world in terms of the number of consumers it serves. Today, Azerbaijani banks use new marketing communication tools to change market and competitive conditions. In this regard, mobile banking, as a marketing communication tool, is essential to communication between customers and banks. With mobile banking, banks can understand and meet customer needs and implement their strategic marketing goals. Considering that the transition to digital transformation in Azerbaijan has gained momentum in recent years, practical solutions and proposals for overcoming the difficulties encountered in the application of marketing strategies with mobile banking are essential. The article touches on this problem, examines the theoretical and practical aspects of the problem, analyzes the results obtained by researchers in recent times, and offers solutions to increase the efficiency of mobile banking in the Azerbaijani banking sector.

Keywords: *marketing, communication, mobile banking, customer services, social media, digital transformation.*

INTRODUCTION

The rapid and transformative power of technology and digital transformation is revolutionizing the banking sector, offering outstanding contributions and vast opportunities. As a result of the development of information technologies, traditional banking services have undergone a significant transformation. With the increase in internet speed and the widespread use of smartphones, banks are gradually replacing the activities of physical branches with digital banking platforms. In many countries, banks have completely stopped physical branch activities and begun to provide all their services through digital channels. In addition to reducing transaction costs, digital banking offers customers faster, more flexible, and more profitable services. Setting up the physical environment and workforce required to serve bank customers is very expensive for banks, increasing the cost of banking services for customers.

In general, the recent increase in online services and, especially in the COVID-19 and post-pandemic periods, the population's tendency to use online services necessitates new approaches to meet the growing demand in this area and attract more customers. In a constantly evolving market, the demand for products, customer preferences, and tastes are continually changing, just like products. Mobile banking also plays a significant role in increasing profits compared to traditional banking.

The value of mobile banking for banks has steadily increased over the years. In 2018, the global market value of mobile banking was $715.3 million, estimated to reach $1,824.7 million by 2026 [1]. Such an increasing value of mobile banking is undoubtedly due to the benefits and profits it brings to the banking sector. Azerbaijan has recently been implementing innovative and customer-oriented approaches in this area. State strategies, including the initiatives of the Central Bank of Azerbaijan in this area, deserve special attention.

Social media and mobile banking are of paramount importance in the banking sector. In today's information-driven world, people turn to social media networks such as Instagram and Facebook for information, and social media plays a unique role in meeting and understanding customer needs.

When we consider the role of marketing communications in the banking sector, it's clear that banks are leveraging social media and mobile banking to connect with customers, understand their needs, and shape their products according to these needs.

New approaches are being introduced in marketing communications to understand customer needs, and IMC-Integrated Marketing Communications have recently become relatively widespread. Today's leading banks of Azerbaijan - IBA, Kapital Bank, Pasha Bank, Unibank, and others - use the advantages of mobile banking and social media in developing marketing communications and constantly present new solutions. These solutions include personalized marketing strategies, innovative product offerings, and enhanced customer service experiences. As a result, this leads to increased competition in the banking sector in Azerbaijan, and banks are looking for more effective solutions to attract customers.

The article aims to measure the impact of mobile banking on customer behavior in marketing communications in the banking sector in Azerbaijan. There has not been much extensive research in this area in Azerbaijan; thus, the article and the research conducted can guide future research.

THE THEORETICAL FRAMEWORK OF RESEARCH

Although there is not enough research in Azerbaijan on establishing a marketing communication system in the banking sector, recent reports, steps taken by banks in this area, and global experience explain the impact of digital transformation on marketing communications in the banking sector. The theoretical basis of the article covers theories integrated into the modern environment in marketing communications and the development of mobile banking. Theories such as the AIDA model, the Technology Acceptance and Use Model, the Theory of Planned Behavior (TPB/DTPB), the Theory of Reasoned Action (TRA), and the Innovation Diffusion Theory (IDT) and others focus on the effective use of social media and mobile banking in marketing strategies in the modern era [10].

The UTAUT model, a significant theoretical framework in this study, was developed by Venkatesh and Zhang in 2010 to understand the factors influencing the adoption and use of new technologies, particularly mobile banking [11]. This model has been widely used in various studies to explain user behavior in mobile banking. For instance, a study conducted in Taiwan found that the UTAUT model influenced 71.2% of users to use mobile banking and the behavior of users to use mobile banking. This model confirmed four main factors behind consumers' use of mobile banking: social influence, perceived financial costs, performance expectancy, and perceived credibility [12].

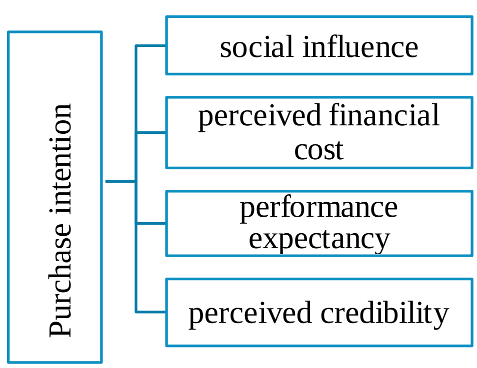
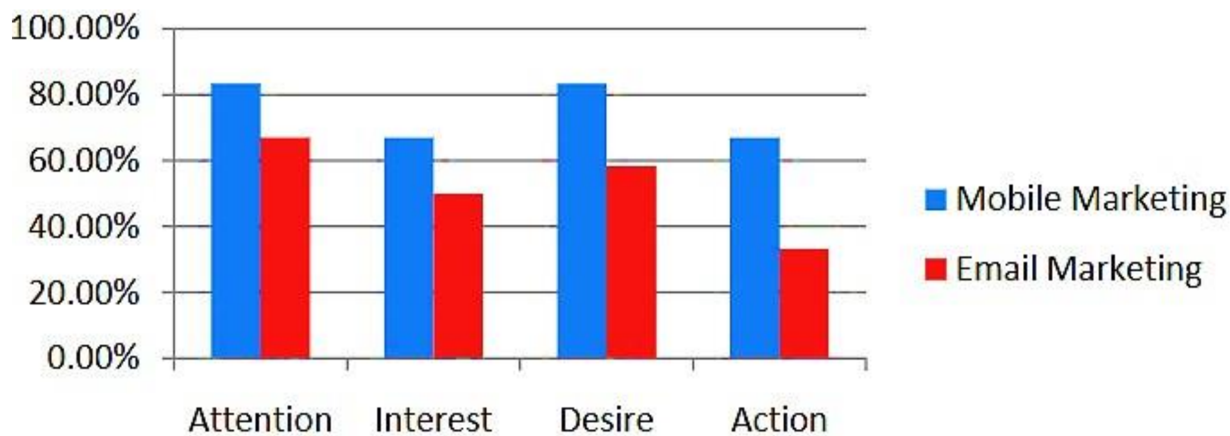


Figure 1. Purchase intention model

Another contribution of this study was the consideration of gender and age differences in using the UTAUT model, which clarified the factors that should be considered in using mobile banking marketing communications for older and younger generations. According to the study, factors such as effort expectations among older users and social influences among the younger generation play a significant role in users' acceptance of mobile banking. The UTAUT model showed that user acceptance of mobile banking directly affects its use in marketing communications.

The study by Fazal ur Rehman et al. [8] shows how mobile banking affects marketing communications. The study highlights the benefits of mobile marketing using the AIDA model and demonstrates that it is more successful than e-marketing. The AIDA model's primary components state that: A. Mobile marketing was successful for 83% of respondents during the attention stage, while e- marketing was successful for 67% of respondents. This percentage was 50% for e-marketing and 67% for mobile marketing during the I-interest stage. Numerous studies have found that this stage of interest is the most successful for young people, particularly when making purchase decisions [7]. D- Mobile marketing is more successful and immensely influences users' decision-making during the Desire and other stages. In e-marketing, this effect was 58.3%, while in mobile marketing, it was 83.3%. Mobile marketing is also more successful in the final stage, the A-Action stage, where users



have already decided what to buy [8].

Figure 2. Graphical illustration of customers' purchasing process in percentage [8].

Overall, the study concludes that customers are more responsive to offers via SMS and mobile notifications. As a result, mobile advertising has a faster impact, which leads users to make purchases more quickly. Email marketing can be more informative for the target audience, as information is delivered more fully via email. However, email marketing ads less impact customers' impulsive buying ability.

Another nuance that should be considered in the study is using social media because mobile banking and social media are among the most essential marketing communications channels today. Today, the number of internet users worldwide is 5.52 billion [13], and the number of social media users is 5.22 billion. It is estimated that about 2.5 billion users use mobile banking [14], which necessitates the active use of marketing channels through mobile banking in the banking sector.

When looking at the research on social media mobile banking, some studies can find findings related to this statement: Many researchers have measured the impact of social media either by considering the impact of social media in terms of customer engagement or as a tool for “Word of Mouth” (E-WOM). They emphasize the importance of personalized content with the impact of word-of-mouth marketing on the co-creation of value (Cheung et al., 2021; Rutter et al., 2021; Chandrasekara et al., 2021; Chandrasekara et al.; Hollebeek et al., 2014) [2], [3], [4], [9].

Since the scope of the article is the banking sector in Azerbaijan, it is helpful to pay attention to statistical data on the Azerbaijani banking sector in the theoretical part of the article for the theoretical basis of the article: In this area, the statistical report published by AZFina in 2022 noted that there are 8.32 million internet users in Azerbaijan and 22 banks use mobile banking and 25 banks use internet banking [15].

Although local studies on this topic are rare in Azerbaijan, the article by N. Ismayilova, published in 2020, titled “Exploring factors influencing customers’ adoption of digital banking in Azerbaijan” [5] concluded that the study supported the hypotheses regarding the ease of use and usefulness of internet banking based on the theories as mentioned earlier. The study confirms the applicability of the theories on Internet banking adoption in Azerbaijan and reveals that customer awareness and peer influence will encourage them to use Internet banking services. Therefore, Azerbaijani banks should convey to their customers that Internet banking services will be more profitable, easy to use, reliable, and less risky, thus increasing their intention to use them in Azerbaijan. The study also reveals that education, gender, and age play an essential role in Internet banking and explores the impact of differences in such factors. Applying the UTAUT model mentioned above to adopt mobile banking in Azerbaijan is a helpful tool for understanding better and addressing the challenges that banks may face in their digital transformation. In addition, a recent study by S. Mirzayeva (2023) on "Investigating Factors Affecting Customers' Adoption of Digital Banking in Azerbaijan" provides important insights into local banking behaviors. Based on the study's hypotheses, several conclusions have been reached regarding adopting mobile banking in Azerbaijan, as follows [6]. According to these results, performance expectations (PE) do not significantly affect the intention of Azerbaijani customers to adopt digital banking. In other words, mobile banking users in Azerbaijan do not focus on the benefits they will get from mobile banking.

According to the study, effort expectations (EE) do not depend on the attitude of Azerbaijani customers toward digital banking. The higher the ease of use of a technological system according to effort expectations, the higher the EE. The study concludes that the ease of use factor in mobile banking does not affect users' attitudes.

Another component of the UTAUT model, the social influence (SI) factor, affects Azerbaijani customers' use of mobile banking. That is, the influence of customers' close circles on the formation of mobile banking usage behavior is inevitable and practical. This confirms the interaction between the WOM theory and the UTAUT theory.

Another significant result from the study is that the level of trust is the second most crucial factor in the intention of Azerbaijani customers to adopt digital banking. This is a significant finding because banks need to increase their level of trust in them to attract customers and formulate marketing strategies to attract loyal customers. The Unified Theory of Acceptance and Use of Technology (UTAUT) model developed by Venkatesh et al. (2003) has been widely used to assess technology adoption, including mobile banking. The statistical results of the study conducted by S. Mirazyeva on the adoption of mobile banking in Azerbaijan highlight several key determinants of user behavior by the UTAUT model [6].

Performance expectations strongly predicted mobile banking adoption among young and old users. Banks that offer fast, reliable, and user-friendly mobile services significantly increase customer engagement in digital banking. The study draws on previous research and statistical analysis to reveal the impact of effort expectations on customer behavior. Customers in Azerbaijan value intuitive and easy-to-use interfaces in mobile banking applications. Research shows that a complex or poorly designed banking application hinders positive attitudes toward mobile banking, especially among older users. Marketing strategies should focus on educational initiatives to familiarize customers with the application's features.

Social influence is another important factor in customer adoption of mobile banking in Azerbaijan. Thus, recommendations from peers and close circles and social trends strongly impact the increase in the frequency of mobile banking use in Azerbaijan, especially among younger users. The result confirms previous findings: social media marketing and customer feedback significantly impact shaping perceptions of digital banking. Banks that use influencer marketing and customer feedback achieve higher results in mobile banking adoption.

When considering the age factor, enabling conditions, i.e., the availability of technical support, internet speed, and smartphone use, play a decisive role in adapting to mobile banking. Azerbaijani banks that offer 24/7 customer service and chatbots powered by artificial intelligence provide higher user satisfaction. According to these indicators, the two leading banks using artificial intelligence - Kapital Bank and IBA - gain a competitive advantage in the market regarding customer service. Government support - financial institutions, the Central Bank's regulatory role, monetary policy - and other regulatory frameworks also facilitate the safe and widespread use of mobile banking.

ANALYSIS OF RESEARCH

When the study's theoretical basis is considered, a number of solutions can be put forward for Azerbaijani banks in terms of the effectiveness of mobile banking as a marketing communication tool and the necessary steps to increase this effectiveness. The transition to digital transformation in the banking sector in Azerbaijan became a faster trend in the late 2010s and early 2020s. Of course, in such a short period, the population's acceptance of mobile banking and the banks' changing their strategies in the transition from traditional marketing to mobile marketing have been complex. In particular, the introduction of Artificial Intelligence in recent years and AI-based solutions in the banking sector have brought a different perspective to this process.

The theoretical frameworks show that adopting mobile banking in Azerbaijan increases the efficiency of using the main UTAUT factors; performance expectations and social impact are the most critical factors. The analysis of these results reveals the factors that should be considered in the implementation of marketing communication strategies in the banking sector in Azerbaijan:

1. Personalized marketing offers: Banks should adapt their digital communication strategies to customers' age groups and technological literacy levels. They should also consider the functions and offers preferred by young and older users when using mobile banking.
2. Improve the user experience (UX): Focusing on user-friendly mobile applications with artificial intelligence-enhanced personalization can increase customer satisfaction and the acceptance rate of offers transmitted to users through marketing communication channels.
3. Social media influence is also one of the central channels banks in Azerbaijan should consider. Since social influence is essential, social media platforms, online customer reviews, customer concerns, and customer-oriented bank advertisements should be the main pillars. In this context, significant use of data obtained from analytical platforms such as Google Ads and SEO constitutes a strong database and guideline for banks.
4. Taking awareness steps is also important in the reception of marketing messages. Implementing digital literacy programs can help older customers better understand technological innovations and trends and increase their confidence in mobile banking.
5. Building security and trust is even more critical, especially recently. Given the concerns about privacy and cyber fraud related to bank accounts, banks should emphasize secure transactions, biometric authentication, and phishing prevention measures in their communications.

The UTAUT model provides a robust and flexible framework for understanding customer adoption of mobile banking in Azerbaijan. Banks that effectively address performance expectations, ease of use, social impact, and favorable conditions are more likely to expand their mobile banking customer base.

Based on the theoretical framework, implementing the following practices helps to improve the effectiveness of marketing communication strategies:

1. Implementing performance-based innovation increases the effectiveness of marketing strategies. Artificial intelligence and AI-based chatbot systems help connect with customers faster, analyze their needs, and take strategic steps to meet them.
2. Building marketing strategies that consider the population's social status, income, age, and employment level increases the purchasing power of bank customers. Combining marketing strategies such as segmentation and targeting with communication channels provides more effective solutions.
3. Awareness marketing and UX improvements are considered factors that increase customer trust and usage, and the effective establishment of a marketing communication system should be supported by applying these factors to marketing strategies. When all these factors are considered in the use of mobile banking as a type of marketing communication, it is inevitable for banks to establish more effective and strategically targeted marketing strategies using tools such as push notifications, e-mail, and SMS marketing. Mobile banking is perceived and adopted by millions of people in Azerbaijan today as a marketing communication channel. Paying attention to the steps to make this effect more effective will bring long-term profits to banks.

CONCLUSION

Technology development has a significant impact on the application of marketing communications. Today, businesses and organizations are very interested in using the latest technology products to gain an advantage in the market. Especially in a sector that appeals to a broad audience, like the banking sector, it is vital to contact millions of customers and meet their needs. Factors such as increasing demand, user diversity, and market segmentation necessitate an exceptional approach to users, and this study's results precisely emphasize this unique approach. Banks can implement more effective and result-focused marketing strategies by considering users' socio-economic characteristics, social status, and age. In the modern era, the abundance of choices in the market also increases the abundance of offers and competition. In this context, target-focused marketing gives banks an advantage in the market. Considering the current conditions for adopting technological and digital changes in Azerbaijan and the impact of these conditions on the implementation of marketing communications, it can be concluded that banks need to demonstrate more diverse approaches in the transition from traditional marketing to digital marketing. Compared to the 2000s, the proportion of internet users is undoubtedly higher than those who receive marketing messages via TV, which necessitates changes in marketing strategies. As mobile banking continues to reshape the banking sector in Azerbaijan, it remains essential to understand its impact on marketing communications. Given the competition in the market, banks that employ innovative and customer-focused mobile marketing strategies will be better positioned to strengthen customer relationships and achieve long-term success. This will play a key role in ensuring sustainable profitability for banks in the long run.

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Azərbaycan bank sektorunda mobil bankçılığlın marketinq komunikasyalarına təsiri
Xülasə

Texnologiyanın son dövrlərdəki sürətli inkişafı, mövcud bazar trendləri bank sektoruna da öz təsirini göstərir. Bu gün bank sektoru xidmət etdiyi istehlakçı sayına görə həm Azərbaycanda, həm də dünyada ön sıralardadır. Bu gün Azərbaycan bankları dəyişən bazar və rəqabət şərtlərinə uyğun olaraq marketinq kommunikasiya vasitələrinin tətbiqində yeni üsullardan istifadə edir. Bu müstəvidə mobil bankçılığın marketinq kommunikasiya vasitəsi kimi müştəri və banklar rasında ünsiyyətin vacib bir üzvüdür. Mobil bankçılıq ilə banklar müştəri ehtiyacları anlamaq və qarşılamaq, öz strateji marketinq hədəflərin həyata keçirmək imkanı əldə edirlər.

Nəzərə alsaq ki, Azərbaycanda rəqəmsal transformasiyaya keçid son illərdə artım tempi qazanıb marketinq strategiyalarının mobil bankçılıqla tətbiqində effektiv həllər və qarşılaşılan çətinlikləri dəf etmək üçün təkliflər olduqca vacibdir. Məqalə bu problemə toxunaraq, problemin nəzəri və praktik aspektlərini araşdırır, son dövrlərdə tədqiqatçılar tərəfindən əldə edilmiş nəticələri analiz edərək Azərbaycan Bank sektorunda mobil bankçılığın səmərəlıiliyini artırmaq üçün həllər təklif edir.

Açar sözlər: *marketinq, kommunikasiya, mobil bankçılıq, müştəri xidmətləri, sosial media, rəqəmsal transformasiya.*

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Влияние мобильного банкинга на маркетинговые коммуникации в банковском секторе Азербайджана
Резюме

Недавнее стремительное развитие технологий и текущие рыночные тенденции также оказывают влияние на банковский сектор. Сегодня банковский сектор занимает лидирующие позиции как в Азербайджане, так и в мире по количеству обслуживаемых потребителей. Сегодня азербайджанские банки используют новые методы применения инструментов маркетинговых коммуникаций в соответствии с меняющимися рыночными и конкурентными условиями. В этой связи мобильный банкинг, как инструмент маркетинговой коммуникации, является важной частью коммуникации между клиентами и банками. Благодаря мобильному банкингу банки получают возможность понимать и удовлетворять потребности клиентов, а также реализовывать свои стратегические маркетинговые цели.

Учитывая, что в последние годы в Азербайджане переход к цифровой трансформации набирает обороты, эффективные решения и предложения по преодолению трудностей, возникающих при реализации маркетинговых стратегий с использованием мобильного банкинга, являются чрезвычайно важными. В статье рассматривается данная проблема, рассматриваются теоретические и практические аспекты проблемы, анализируются результаты, полученные исследователями за последнее время, и предлагаются решения по повышению эффективности мобильного банкинга в банковском секторе Азербайджана.

Ключевые слова: *маркетинг, коммуникация, мобильный банкинг, обслуживание*

клиентов, социальные сети, цифровая трансформация.