NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: BHM746

COURSE TITLE: MANAGEMENT OF FINANCIAL SERVICES

COURSE GUIDE

BHM746: MANAGEMENT OF FINANCIAL SERVICES

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INTRODUTION

Financial service marketing is a two credit course. The course is designed to equip the learner/student with knowledge of financial services, financial institutions and the various services they render. The course is helpful to the individual, student and employee who may find himself in an organization. Finance is required in every facet of life. Knowledge of financial service is important in bringing about the required finance.

COURSE CONTENT

The course has these modules each module contains five units.

Module 1 examines marketing as a management function, the meaning of financial services and the marketing implication. The characteristics of financial services, the necessity and procedures for planning for financial services were covered. The role of financial services in intermediation was analyzed. The units in this module cover these sub topics.

Module 2 deals with five units that cover market segmentation and market mix strategies in financial services. Marketing of financial services is important and so are innovations to sustain financial services. The environment has significant impact on the financial services and the marketing of financial services. These were the subject of this module.

Module 3 appraised financial services, treasury financial services, short-term, short and medium term financing and long term financing. All these have significance in liquidity, solvency, and capital availability which are important in sustaining operations, ensuring viability and continuity.

This course guide is avails you the highlights of the entire course. Through it you will be able to successfully complete this programme. You will be equipped to identify and use financial services. This course is structured in a pattern that is easy to read and understand. Self assessment questions help to put the student/learner in focus. The tutor-market assignments (TMA) are to test the understanding of the student in key areas in the subtopics. You need to sharpen your knowledge on the topics in these assignments for personal knowledge as well as scoring high grades in the examination.

COURES AIMS

The course equips the student/learner and strengthens the student's/learner's knowledge on financial services for the purpose of accessing financial services. The various financial institutions and the services they render ensure the availability of funds for operations and growth of the organization. In this course the following aims are to be achieved:

- To define and describe financial services.
- To identify the types and characteristics of financial services.
- To evaluate and plan for the financial services that appropriate to the financial decision.
- To analyze the dynamics of the financial environment and financial services marketing in order to make informed decisions.
- To identify and access short-term finance and long term finance.
- To utilize financial resources for the benefits of the organization.

COURSE OBJECTIVES

At the end of the course the following objectives would have been realized:
The student learner should be

- Able to define and describe financial services.
- Able to knowledgeably identify financial services, institutions and their different characteristics.
- Able to evaluate, analyze and plan for financial services.
- Evaluate the financial environment for making informed decisions on financial services.
- Able to identify and utilize financial resources for the benefits of the organization

COURSE MATERIALS

The course has the following tools:

- Course guide
- Study units
- Text books list
- Assignments.

STUDY UNITS

The highlights of the 3 modules (15 units) are:

MODULE 1	
Unit 1	Marketing as a management function.
Unit 2	Financial service meaning.
Unit 3	Characteristics of financial services.
Unit 4	Marketing planning in financial services.
Unit 5	Analysis of financial service market.
MODULE 2	
Unit 6	Market segment.
Unit 7	Market mix strategies in financial services.
Unit 8	Marketing of financial services.
Unit 9	Environment for financial services market in Nigeria.
Unit 10	Innovation in financial service-marketing the internet system etc.
MODULE 3	
Unit 11	Appraisal of financial service marketing
Unit 12	Treasury financial services
Unit 13	Financial service and short term asset management.
Unit 14	Short and medium term financing.
Unit 15	Financial services and long term financing.

You are expected to be committed t your study. Putting in at least 2 hours on each unit will lead to the realization of the objectives for that unit. Towards this the pattern has been outlined for easy reading and understanding. The content of each unit at a glance gives the main topics to be studied. A methodical approach will be helpful. Start with the introduction and make sure you understand the aims of the unit. Spend more time on the main content. Attempt the self assessment questions formally. Be serious with the Tutor-Marked Assignments. After understanding the unit consult other books and the references before writing your TMA. This way you will be fully equipped for your examinations.

SELF ASSESSMENT.

Self assessment questions are for your practice. They will help build your understanding and confidence on the unit.

TUTOR-MARKED ASSIGNMENT

These are assignments that will be graded. You are to spend meaningful time on each assignment. Consult other texts so that you are in no doubt as to what you are requested to cover in the assignments. The assignments carry 30%. Your examination will be 70%.

FINAL EXAMINATION

The examination score is 70% while your TMA is 30% giving a total of 100%. Both are important and must be given adequate time. Aim for the highest grade of 100%.

SUMMARY

The ultimate goal for studying financial services marketing is to be equipped with knowledge of financial services, institutions and providers of finance services. This is helpful in procuring finance which is important in every organization. The dynamics of the environment must be analyzed and studied to make meaningful, informed decisions.

REFERENCES/FURTHER READING

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COURSE CONTENT

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UNIT 1: MARKETING AS A MANAGEMENT FUNCTION.

CONTENTS:

1.0 Introduction.

Marketing meets the needs of the customer as goods and services are made available to satisfy customer's needs. In regard to financial services, marketing identifies the financial needs of customers and satisfies these.

Management on the other hand brings about the realization of group objectives through individuals' best contributions (Weihrich& Koontz: 1993 ; Asen et al; 2006). Henry Fayol is the ascribed Father of management theory. Management is defined as `the process of designing and maintaining an environment in which the individuals, working together in groups, efficiently accomplish selected aims (Weihrich & Koontz: 1993). The basic elements of management are planning, organizing, staffing, leading and controlling.

Financial services bring about the financial resources that enterprises or business require. The management of these resources means that these upon which lies the responsibility of achieving goals of the enterprises must understand and apply the expertise of management functions. They should be able to plan, organize, engage the appropriate financial experts, lead and control financial resources.

2.0 Objectives.

At the end of this study, the learner should be able to:

i) Define and describe marketing and management

ii) Explain the role of marketing and management in financial management services.

iii) Discuss the usefulness of marketing and management in running an enterprise or business entity successfully.

3.0 Main content

3.1 Marketing.

Kotler & Keller (2006) define marketing as "identifying and meeting human and social needs". This involves meeting needs profitably. Marketing savvy transforms needs into profitable ventures. The American Marketing Association (2004) defines marketing as

an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stake-holders.

Kotler & Kellers define marketing as

a social process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others (Kotler & Keller,2006:6)

Their definition is from a social perspective and solicits response from another party, existing or potential. The aim of marketing therefore is to help uplift the living standard of parties involved. Markets are avenues for exchange of values between seller and buyer. In this process, their needs and wants are satisfied.

Success in any organization is dependent on marketing ability. Demand for products gives relevance to functions performed by different departments, units or organs in the business. Survival in the market place and in the course of competition is possible through good functional marketing activities. Major decisions may fail and the business collapse unless marketing decisions such as product design, new product, product prices, place, promotion and advertising etc are considered. These considerations are aimed at customers and their needs.

Marketing deals with customers (Kotler & Armstrong, 2008:4) and managing profitable relationships. Marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging values with others. It builds profitable value-laden exchange relations with customers (Kotler & Armsrong, 2008:45).Management is concerned with the continuity and survival of the business. This can be achieved by meeting customer needs, making profits and ensuring returns to stakeholders viz shareholders, managers, employees, owners, society and even customers (existing and potential). This is realized through planning, organizing and controlling their resources and motivating employees (Cole, 2004:7). He quotes Drucker as having described management as the `systematic organization of economic resources` and making this productive. Management therefore describes a number of different activities going on in an organization under the guidance and responsibility of some people.

The responsibility of marketing is that of management. That is the persons responsible for realizing the objectives of the business. They use ` organizational resources to achieve organizational objectives`, using the management function and processes (DuBrin, 2006:1). Those who want to access such funds have their needs and so evaluate their financial needs before approaching financial services. Within their organizations are well trained personnel in accounting and finance, who internally provide financial services or advice. They may obtain same from accounting firms, stockbrokers, and friends (informally).

Financial services bring funds about at a cost. This cost must be considered for its impact on the performance of the organization and its viability. Central to the evaluation of financial services is the risk element. This operates both from the providers' and receivers' perspective. Marketing takes cognizance of all these and other variables in evaluating financial services. This concept is crucial in management, in organizations and in their success or failure.

Self Assessment
What is marketing?

3.2 Management

The word management could refer to any of the following:

i) Management may refer to the functions performed by managers.

ii) Management may refer to the concept of the managing function. That is the information or knowledge concerning managing.

iii) It may ref er to positions in organizations either profit or non-profit oriented.

iv) Management often refers to a career.

Therefore management must be understood within a context. Essentially it yields results and objectives are realized.

3.2.1 Management Objectives.

Organizations are set up to achieve set objectives. Some of these are:

i) Profit Making:

Businesses that are established with a view to making profits run their businesses in such a way that they should normally have a surplus or gain, reward or return after spending money on making their products and selling same at a price higher than what they have spent. That is

Profit = Sales minus expenses.

Where the product is sold below the cost price, the business has made a loss or a deficit or a shortfall. No manager allows this situation to arise. Businesses that make profits are able to survive while those that make losses sooner than later are out of business. Investors who buy shares etc or start their own businesses want profit or return to accrue to them.

ii) People invest in business, whether one man business or in purchase of shares or stocks in a public limited corporation usually want their investments to grow or appreciate. Increasing the value of a business or share price is an indication that a business is growing. Some prefer that their business or investments grow. Returns are important but growth in their capital or investments is more important to them.

iii) Survival.
What is the point in starting a business that will soon cease to exist? Managers have a duty to ensure survival both in the immediate, short and long run. Therefore, returns and capital growth must be balanced to ensure the survival of the business.

iv) Not for profit organizations such as government, religious organizations or social organizations (clubs, tribal/ cultural or ganizations etc) are managed to achieve their social or political goals. Whatever are the goals, management helps to fulfill these goals. Without goals an organization is aimless. Without management, goals cannot be achieved. Goals are the focus of management. Management involves actions that evoke from individuals their best contributions to group objectives. This applies in every organization weather big or small or profit or not for profit, manufacturing or services. The efforts and concer n of the manager is efficient management of resources.

Self Assessment
What are the objectives of managements?

3.2.2 Basic Elements of Management.

The activities and functions of management revolve around five basic elements viz:
i) Planning.
ii) Organizing

iii) Staffing
iv) Leading
v) Controlling.

These functions are performed at the following levels of management: Top level managers, middle level managers and first level supervisors (in preference to lower managers). The level of involvement and the functions. Top level management (managers) spend a great deal of time on planning and organizing but more on organizing while ensuring that leading and controlling are not neglected. Middle level managers spend more time on organizing and leading while supporting planning and controlling. First level supervisors spend more time on leading without disregarding the other functions. In other words, the three levels of management have their areas of focus:

i) Top management focuses on organizing and planning.
ii) Middle level management focuses on leading and organizing.
iii) First level management focuses on leading.

Nevertheless, every level performs all key functions but with emphasis on the specific element(s). These functions are further distinguished by the time spent on each. Top level management spends more time on planning and organizing than on the other two levels. Middle level management spend more time organizing and leading than first level supervisors. First level supervisors spend more time on authority.

Taking the entire functions more time and resources are expended on organizing and leading than on planning and controlling. The issue of staffing affects the entire structure of the business or enterprise. The planning, organizing, leading and controlling are done using various skills (abilities of individuals). These skills are applied at different levels and also the intensity or amount differs. Kaltz (1974) gives 4 skills:

- Technical skills involve tools and techniques.
- Human skills involve teamwork, co-operation while allowing people to express their opinions.
- Conceptual skill visualizes the whole picture of relationships amongst elements and their effects.
- Design skills are used to solve problems and remove challenges

Self Assessment
What are the roles of the three management levels?

3.2.3 Summary of Functions of Management.

Planning

This gives direction in achieving goals or objectives. The vision, mission and courses of action to be taken should be made clear and known to all players. These are different plans. Those currently being implemented, those for the short time and those for the long run. There must be commitment to planning in terms of resources, time and human efforts including supervision.

Organizing

There must be a structure that facilitates executing the various functions to realize enterprise objectives. In this structure, roles that are to be played, a conducive environment for individuals to perform their roles and the environment that maintains quality of other physical resources. People should be playing roles that lead to group objectives and they need to be motivated accordingly.

Staffing

- Individuals fill positions and are maintained.
- The requirements for positions are clear.
- Evaluating staff on ground.
- Recruiting, selecting, placing, promoting, appraising, planning career of staff, training etc for those on ground and to be required.

Leading

People are normally influenced to contribute to obtain results or achieve objectives. People have different aspirations or desires and attitudes. Harmonizing these towards group efforts often prove challenging and can affect the objectives of an enterprise. Those leading and those following need to understand themselves, their styles of leadership etc to make this function effective. Communication between the stakeholders has become an inevitable lubricant in effective leading. Leading people is a constant known challenge.

Controlling

This involves measuring and correcting performance or efforts by individuals and groups as regards objectives. Deviations from plans are determined and corrected. Quantitative and non-quantitative plans must be measured against actual performance.

Coordinating

Co-coordinating is an element that flows through all the elements of management and so is central to the management function. Co-ordination brings about harmony and ensures that stakeholders are carried along and all aspects of management are not neglected.

Self Assessment
Define the key management elements.

3.3 Financial Services

Marketing of goods and services, called products, is the essence of organizations, no matter the type of organization. In the financial industry, the products are finance. Marketing of finance is the responsibility of providers of such finance. Finance becomes available when investors who have surplus of funds put these in the depository institutions for safety and for returns. The depository organizations now source for those in need of the funds and make profitable returns from theses activities. Users also who need the funds know where to go to obtain the much needed finance.

Although the activities of these depository bodies are known, extensive marketing is required to formally create awareness about their financial services. The services themselves are as dynamic as the needs of the customers and the providers make efforts to satisfy these needs.

Marketing of financial services is required to sensitize potential depositors to come forward and patronize the depository institutions. The more the patronage (by both existing and new customers) the more the funds are available to those in need of such funds. Marketing places a key role in identifying needs of unwilling depositors and creating services that will meet these.

Non-depository institutions like capital market (stock exchange) insurance, building societies/mortgage institution, pension funds help in raising large sums of money. Depository bodies may not readily make available these funds. Their services are critical in generating funds.

4.0 Conclusion

The above discourse has the relevance of marketing in management. Management is responsible in harnessing group objectives through individuals' contributions.

5.0 Summary.

This unit has examined marketing and the management functions. The key functions of organizing, planning, staffing, leading and controlling have been explained. The three levels of management viz: Top management, middle management and first level management were discoursed. The functions of management are applicable in management of financial services. Financial services also need adequate management.

6.0 Tutor Marked Assignment

1) Define marketing and management and explain the objectives of management.
2) Explain financial services.
3) Summarize the key functions of management.

7.0 References/Further reading

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UNIT 2: FINANCIAL SERVICES-MEANING: CLASSIFICATION, CHARACTERISTICS AND MARKETING IMPLICATIONS.

CONTENT:

1.0 Introduction

Finance is required and is useful for the realization of objectives. Management of cash is central to the finance function. Good cash management is at the heart of a healthy business (Pike and Neale, 2006:7). Cash and finance are the life of a business. Realization of objectives underlay the management of finance. Creation of value through financial management involves making investment decisions and financing decisions.

Investment decisions bring about capital assets while financing decisions resolve issues of how and where to raise the capital to fund operations now and in the future. These two functions drive the key objectives of value maximization especially for the business. Not-for-profit organizations have their objectives and these are achieved by the role the investing and financing functions play. Financial services deal with the provision of key functions of financial management. There are specialist organizations and individuals that render these functions. Even within the organization these services can be enjoyed or received from outside.

2.0 Objectives

At the end of this unit, the learner should be able to:

- Explain financial services.
- Describe the various types of financial services.
- Analyze the marketing implications of financial services.

3.0 Main Content

3.1 Financial Services.

Financial services should ensure that sufficient funds are available to meet the needs of the business. Financial services are provided by financial institutions to sustain current operations and or meet future operating requirements. Organized businesses deal formally with known regular financial institutions. In Nigeria, that is still developing economically, informal sectors exist alongside with the formal institutions.

3.2 Classification of Financial Institutions.

Financial institutions that render financial services are classified with three formal categories (Pike and Neale: 2006:27).

- Deposit-taking institutions.
- Contractual savings institution.
- Other investment funds.
- Money market.
- Capital market.
- Other financial institutions.

3.2.1 Deposit-Taking Institutions.

Banks dominate is this sector. There are commercial banks, investment banks and merchant banks which specifically deal with wholesale banking. Commercial banks are more common than specialized banks in terms of spread and clientele. These special banks, such as mortgage banks and industrial or development banks are set up for specific purposes. For example in Nigeria, there is the Nigerian Export-Import Bank (NEXIM Bank) which is import/export focused. The Nigerian Bank for commerce and industr y provides a conducive environment for investment in Nigeria. Commercial banks receive deposits from customers and payout these to them when demanded. There are acceptance houses which accept bills of exchange from discount houses and discounting same. Traders that are not well known have access to these services. Those that have established reputation within the sector patronize banks such as commercial banks.

Merchant banks provide financial advice and arrange finances for companies. They are also involved in flotation of shares on the stock exchange. They help in developing new financial products and arranging mergers, acquisition and restructuring for businesses. They manage investment portfolios of pension funds, insurance companies, investment and unit trusts, charities. Merchant banks play a significant role in the capital market.

Globalization has made overseas banking relevant especially through regional economic blocks and growth of multinational companies. Notable financial hubs such as London, New York etc market provide funds to big organizations and their foreign subsidiaries etc. Building societies specialized in mobilizing funds for building or purchase of houses.

Self Assessment
What are deposit taking institutions?

3.2.2 Contractual Savings Institutions.

To this category belong pension funds and insurance companies. Pension funds receive money from employers and employees. Such funds may be invested directly in the financial markets or insured and the risk covered by a life assurance company. Pension funds have become major sources of funds for investment. Insurance companies are either general or long-term. General insurance covers losses arising from fire accidents, motor, marine etc upon payment of premiums. Long term covers life assurance and pension provision.

Self Assessment
Give examples of contractual savings institutions.

3.2.3 Other Investment Funds.

This is private sector managed. These are being replaced by financial institutions. They manage unit trusts. Investment trusts are companies that have their shares quoted on the stock exchange. They invest specifically in securities. Their shares are usually sold at a discount. These shares can be sold at the stock exchange. Units trust syndicate or pool investments with each investor allocated units or trenches according to amount subscribed. They are operated by banks and subscribers supervised by managers appointed for that purpose.

Self Assessment

What is investment trusts?

3.2.4 Money Market

The money market is a financial arrangement for receiving and obtaining funds for the short time period. Lending and borrowing take place within a short interim period. This is a market for money and other short term assets such:

- Banker's acceptances.
- Certificates of Deposits (CBN).
- Treasury Bills.
- Promissory Notes.
- Call Deposits.
- Bankers Certificates of Deposits (fixed, called).
- Commercial Papers.

The characteristics of this market are:

- Key players are the Central Bank, banks and financial discount houses. Banks are the dominant participants.
- The instruments traded last for between 30 days to 365 days.
- Some are negotiable while others are not negotiable.
- They demand high level of trust worthiness and commitment.
- They strongly facilitate intermediation.

Self Assessment

What a money market?

3.2.5 Capital Market

The market is for long term investments. Funds are invested for longer than five years. The market is regulated by the Nigerian Stock exchange Commission while the place or organ that facilitates the actual trading is the Nigerian Stock Exchange. It has the following characteristics:

- It's a market for long term funds.
- The instruments for trading in the market are ordinary and preference shares, bonds, debentures, options and futures.
- Participants are individuals, unit trusts, Banks, pension funds, insurance companies, government (at all levels), central bank, Nigerian stock exchange, securities exchange commission and stock brokers.
- Provides funds to industries and government.

- Sources of development and growth.
- The instruments are traded on the floor of the stock exchange except for Initial Public Offer (IPO).

There are hybrid instruments which are found both in the money market and capital markets. Some are;

- Treasury certificates (one to two years).
- Bonds or loan stocks for maturity under 5 years.

Self Assessment
Define capital market.

3.2.6 Other Financial Institutions.

Building societies and other financial houses such as finance companies, micro-banks collect moneys from depositors. Those seeking for funds have access to them based on their mandates.

3.3 Financial Services.

There are organizations that are specialized or professionals in providing financial services. Some of these are:

- Banks.
- CBN.
- Professional Accountants.
- Chartered Accounting Firms.
- Financial Analysts.
- Stock-brokers.
- Financial consultants.

Most reputable businesses appoint financial experts apart from their employees to guide them or be involved in making financial decisions. Financial events, analysis and reports are sources of information which serve general financial guides on daily regular happenings with the economy. The quality of these services should be high and sustainable.

Self Assessment
Who are the providers of financial services?

3.4 Market Implication

Financial services make management smooth and successful. Therefore the users and suppliers of these services are important. Suppliers of these services are increasing in number and the services are in varieties. Users are being attracted in different ways to patronize these services. Suppliers of these services compete to meet the needs of their clients and to expand their clientele. The user has a range of choices to make. The choices should be guided by quality, as usual. The cost of the financial services and its impact on the performance, survival, strength, viability and future growth of the organization are important. Financial services chosen should not increase the risk of the beneficiary.

4.0 Conclusion

The above has explained the importance of financial services as the medium through which finance is obtained. This is required for operations now and for the future. The various sources of funds and types of institution show where such funds can be obtained. The finance required and the purposes determine where to go to obtain the finance. The providers and users employ experts or professionals in order to provide or obtain the finance at minimum risks. These services are being marketed but the objective and quality of service dictates the choice.

5.0 Summary

The unit has presented the various financial services available in the financial industry. These are deposit taking, contractual savings institutions and investment funds. The role of capital and money markets were also examined, along with the marketing implication for financial services.

6.0 Tutor-Marked Assignment.

1) Explain the following terms
a) Depository institutions.
b) Contractual institution.
c) Investment funds.

2) List instruments used in the money and capital markets.

227.0 References/Further reading

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UNIT 3: CHARACTERISTICS OF FINANCIAL SERVICES.

CONTENT:

1.0 Introduction

Financial resources are liquid assets that are cash or can be easily translated into cash. They manifest as cash, debtors (or receivables), inventory, investments in short term instruments in the money market. Cash invested for long in businesses appear as long term investments or fixed assets. The same items are described as capital, long term liabilities or short term sources of liabilities. These explain the sources of such funds. Funds obtained for long term investment come from issues of debt (debentures or bond or loan stock). Shares or equity capital represent permanent which is non-returnable.

Debt capital is repayable and so has temporar y permanence. Short term liabilities supply short term fund such as trade creditors, accrued expenses, short term loans, overdraft etc. Financial services are provided to supply financial resources, ensure their optimum use. The benefits and returns or cost and disadvantages associated with them have to be determined and balanced before making financing decisions.
The analysis of the financial resources necessitates knowing their characteristics in order to make an informed decision. The unit will examine the characteristics of financial services in accordance with where the finances to be obtained.

2.0 Objectives

- Describe financial services
- Explain the characteristics of financial services.

- Explain the marketing implications of financial services.

3.0 Main content

3.1 Financial Services

Financial services are information based. They provide information about the sources, types, advantages and disadvantages of the type of finance. There are risks, cost and analysis and choice of the finance considers these. There are effects and cost implication on performance and viability, existence and sustainability of the organization which arises from wise use of funds or poor use funds.

The services arising from the use of finance may be from within or from without. The internal services are internal audit, accounting services as well as financial services. Financial services border on accessing banking, insurance, and capital market services. Sometimes, designated officers are given responsibility to handle or supervise these services which specifically cover long term sources of funds especially capital market. The magnitude of the importance of financial services is seen in the huge investment in financial record keeping, ensuring quality of financial statements through auditing services (internal and external auditing services).

Often, financial advisers or consultants are engaged to offer advice and suggestions on implications. Banks are also appointed as official bankers for professional opinion on financial matters in addition to rendering normal banking functions. Financial services from outside are enjoyed from external auditors. This is a statutory requirement.

Capital market services have become so important that banks, big ones, have subsidiaries that handle capital market transactions. There are Registrars and stockbrokers. They handle issues of shareholdings and liaising with stock Exchange and Exchange commission in regards to new issues or raising of fresh capital. The distinction between external and internal financial services depends on the size and scale of operations of the organization. Small organizations depend largely on external financial consultants, usually their auditors, to prepare their financial statements.

Self Assessment
Define financial services.

3.2 Characteristics of Financial Services

3.2.1 Accounting Services

Accounting is defined as the art of recording, classifying, analyzing, summarizing and interpreting financial information to make informed decisions. Okwoli (1993) further says communicating the financial information is important. The American Institute of Certified Public Accountants requires that the transactions, events must be significant and should have economic values. Accounting provides financial information. The characteristics involved:

- Documenting all financial transactions and their approvals.
- Ensuring qualitative and accurate data and information generation.
- Presentation of data and records.
- Interpretation and communication of information to users of accounting information such as managers, owners, government, creditors, employees etc.
- Confidential and secured handling of information to prevent competitors accessing same.
- Prompt processing and timely availability of accounting information guide in decision making, planning and control.

The quality of personnel is vital to obtaining relevant, accurate and useful accounting information. Attention on the following is important:

- Sound training, professional, qualification and commitment.
- Integrity, honesty and reliability of accounting personnel.
- Experience and hard work.
- Understanding the dynamism of the environment.

Accounting services can be obtained internally or from outside.

3.2.2 Auditing Services

The training and background as well as the quality of the auditing services expected are the exact replica of accounting services. They serve as quality control points through the checks, control and evaluation of all financial, accounting and other services being rendered. This has the mandate of the Chief Executive Officer of the organization to whom internal auditors report and the shareholders who appoint the external auditors.

3.2.3 Banking Services

Banks are depository financial institutions that receive deposits. They offer other services such as intermediation, cheque payment services; safe keeping of valuables, guarantorship, agency, policy implementation etc. banks maybe:

- Commercial banks.

- Investment/merchant banks.
- Specialized banks.
- Micro banks.
- Savings/Mortgage banks.

These banks can be broadly classified into two categories. Those involved in short term intermediation predominantly, such as commercial banks. They deal mainly in the money markets. Common instruments used one cheques, bills of exchange, treasury bills, certificates, acceptances, promissory notes. There are banks that deal on long term intermediation such as commercial banks to some extent, merchant banks, specialized banks such as investment, mortgage banks. Investment banks underwrite issues and handle securities transactions. Mortgage banks focus on property mortgages.

3.2.4 Capital Market Services

These are peculiar to long term funds such as shares, debentures/loan stock. The Nigerian Stock Exchange is the primary market. The handling of fresh issues (called initial public offers, IPO) is done through the Nigerian Stock market. The market where secondary transactions other than initial issues take place is called the second tier securities market. The Nigerian Stock Commission regulates the stock market operations. Professional brokers handle these transactions for and on behalf of individuals and organizations. Capital market instruments are:

- Ordinary shares.
- Preference shares.
- Debentures.
- Loan stock or bonds.

Self Assessment
Define a capital market.

3.2.5 Insurance Services

This is a non-depository financial institution. Premiums are received for insurable risks, life or non life. There are risks that may occur and those that must occur. Accidents, loss of property may arise just as jobs may be lost. Compensation may be made upon the occurrence of the incident. There is certainty that death of the insured individual will occur. No individual lives forever. Cushioning for effects of sudden death or death due to illness, on family member warrants life assurance. Insurance services are rendered b y insurance companies, insurance brokers. Their services are important in cushioning the effect of the loss of the insured asset or the occurrence of death or health calamity. This services demands honesty, integrity, trustworthiness in both the insured and the insurance. Substantial sums of money are mobilized through insurance services. These are kept in banks and/ or invested in profitable ventures.

3.3 Marketing Implication

The various financial services are regulated by the laws setting them up. Their operations are consequently guided by such laws. The goal is bringing the services to the awareness of existing and prospective customers. Marketing strategies take cognizance of the peculiarities of the nature of the service, the relevant laws and professional etiquette governing such services. Financial resources are quite sensitive and risky.

Confidence in the providers of such services is the basis for patronage. The qualities of integrity, honesty and reliability of providers of such services sustain patronage. Safety of funds and accurate rendition of information concerning financial transactions remain fundamental to marketing of these services. Communication between providers and consumers of financial services should be regular and quite capable of resolving gray areas that may create mistrust. Bankers and insurance businesses are quite many and compete freely. They advertise their services old and new products publicly. Also, energy and any available media that will give the customers and the public adequate information are employed.

The marketing implication focuses on quality services to be gained in patronizing any bank or insurance company. Auditing and accounting services are not given wide publicity as done by banks and insurance businesses. Through personal contact and reputation, the services are patronized. The professional bodies ensure commitment and integrity through appropriate guidelines, standards, monitoring and regular training. Capital market operations take place in the stock exchange markets. Appropriate legislation and control are important to maintaining security, efficiency and success of the market operations.

The growth of the market is seen in the establishment of branches of the market in viable cities. Marketing has the objective of bringing out the advantages and benefits of investment in the capital market. The more the public is aware of this, the longer will be the market. The brokers who are key operators in the market are regulated and monitored by the stock exchange commission and the stock exchange market regulators.

Self Assessment
What is the marketing implication of financial services?

4.0 Conclusion.

Financial services generate financial resources of various types. Each type of resources has benefits and costs. They are solvent and risky. The cost and benefits are to be weighed to enable informed decisions making on the choice of a particular type or a composition of some. Accurate documentation, correct information and integrity of the personnel responsible for financial services are worthy of consideration.

5.0 Summary.

The unit has described and explained the nature type and sources of financial resources. Financial services have different characteristics depending on their sources. Auditing, accounting services, insurance and capital market services have been discussed. Their marketing implications were also high lighted.

6.0 Tutor-Marked Assignment.

1. Discuss qualities that will make accounting information useful.
2. Explain the term financial services and list their types.
3. What are the key considerations in marketing accounting, auditing, capital, banking and insurance services?

7.0 References/Further reading

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UNIT 4: MARKETING PLANNING IN FINANCIAL SERVICES.

CONTENT:

1.0 Introduction

Marketing has been defined as "identifying and meeting human and social needs" (Kolter and Keller, 2006) and at a profit. Therefore, meeting the needs of an organization requires that the organization identifies the needs of the customers. This necessitates planning. Planning is essential to achieve objectives of an organization.

The plan must have a scope to meet the needs of customers at the short run and in the long run. Needs cannot be met unless there are financial resources to meet them. These resources are more often than not scarce. Their availability must be planned for. Planning for financial services is the sure way to obtaining financial resources which are needed to sustain operations. These resources vary and they have costs.

Holding excess financial resources may result in waste or loss of revenue. The revenue that would have been received were they invested would be lost. Shortage of financial resources have costs. The operations may have to be temporary. This means customer needs may not be met as and when expected. It may also mean that satisfying customer needs may be delayed. This results in loss of such customers or loss of market share. Obtaining these resources when scarcity of them sets in may be at a cost. Emergency remedies have their disadvantages. Thus, planning for financial services is inevitable. The sources of finance and the organizations providing these services have to be put on notice to average for finance. Planning in this regard is a good way to avoid embarrassment.

2.0 Objectives

- Explain marking planning.
- Explain linkage between marketing, planning and financial services.
- Describe how to plan for financial resources.

3.0 Main Content

3.1 Marketing Planning

Financial resources are ultimately needed to accomplish marketing plans and satisfy existing markets and even future markets. Resources are efficiently deployed on the basis of good and implementable or workable plans. Planning for markets usually culminate in financial resources for meeting the needs of these markets. Products do not come into existence unless they are produced. The sources for finance and the sort of services available by those rendering or providing such should be known and planned for. Marketing planning is fundamentally:

- Analyzing marketing opportunities.
- Selecting target markets
- Designing market strategies.
- Developing marketing programs.
- Managing the marketing effort. (Kotler and Keller, 2006).

Marketing planning results in delivering superior value that will meet and satisfy customer needs, demands and wants in the midst of abundant choices. In developing markets (developing countries) choices are limited and so planning to meet market needs may be unnecessary.

However, in developed economies, there is competition because there are choices of products and services. Micro-marketing is common in developed economies while mass marketing is common in developing or less developed economies. The major goal is value delivery, delivering what customers want. * The value delivering process requires a choice of either customer segmentation or market focus or value positioning. This covers product development, service development, sourcing making the value (product or service) and distributing same. The last function is communicating the value. This is how the value is brought to the customer through sales promotion and advertising. Planning preceeds value delivery. The traditional approach is product design, procuring or making the product, pricing, selling advertising, promoting distributing and providing customer service. Marketing planning depends on the approach taken by the planners.

That is whether it is Webster's or Kumar's approach viz;

Webster's marketing approach	Kumar's marketing approach
Value defining process.	Value segmentation.
Value developing process.	Value positioning.
Value delivering process.	Value network.

These approaches will have identical results.
Self Assessment exercise: List the fundamentals in marketing planning and list Webster's and Kumar's marketing approaches.

Self Assessment
What do we mean by marketing planning?

3.2 Steps in Marketing planning

Based on the approach chosen, the following are to be considered value chain. Chains are activities followed to bring about a product or value. There are nine such activities divided into primary and support activities.

A) Primar y activities.

These are:

1) Bringing materials into the business.
2) Material conversion to final product.
3) Shipping out.
4) Marketing and sales.
5) Servicing.

B) Support activities.

These include:

1) Procurement.
2) Technology development.

3) Human resource management.
4) Firm infrastructure (both internal and outsource). For example management, planning, finance, accounting, legal etc. The value chain is received constantly to reduce costs, improve value even its existence.

Core Competencies

Core competence is the area in which the organization has comparative advantage over others. It is key to its existence.

- It gives the company an edge over others.
- It contributes significantly to its profitability.
- It has wide application within the market.
- It cannot be imitated easily by competitors.

Market Orientation and culture

The goal of marketing is to satisfy relationships and especially stakeholders. Therefore, people involved, valued exploration, creation and delivery is important. Customers, owners, management, employees, community and government must be satisfied.

Strategic Planning

This leads to successes. It takes us there. The value delivery process recognizes strategic planning as well as tactical planning in relation to the whole marketing effort. Strategic planning considers the distant future beyond five years while the tactical deals with current or immediate coping strategies. The strategies consist of the marketing strategy, the technological strategy and the sourcing strategy. Planning for the long run is quite difficult (Palmer, 2004). Planning for the short term and long term profitability should consider the environment. (Palmer, 2004:208).

Defining the Corporate Mission

Corporate mission is the whole essence of the organizations existence. Why was the organization set up? To accomplish what? Organizations mission statements capture their missions. This must be redefined as the need dictates. The definition of the business and its mission may incorporate customer need, group or technology. Different businesses in an organization must be defined separately especially in a group.

Assessing Growth Opportunities

The company must determine where it is now in terms of operations and profitability, the extent of meeting customer needs, how to fill any gap between projected sales and desired levels considering the level of activity. Desired levels are usually higher than projected (based on current operations). The desired may be filled by expanding current operations or intensifying operations. It can be by acquiring relevant businesses integration or by acquiring businesses that may not be related (diversification). Businesses must evaluate and plan strategies for growth for expected returns to shareholders and greater career opportunities for managers (Palmer, 2004).

Organization and Culture

The structure of the organization may contribute positively or negatively to the success of the organization. Its policies and culture are capable of affecting the business. Structures and policies change easily but not culture. Both organization and organizational culture are important in planning. Culture refers to the shared values, norms, experiences, beliefs, of people within an organization.

Business unit Strategic Planning

This covers business missions, SWOT (internal and external) goal formulation, strategy formulation, programme formulation, implementation and feedback and control in this sequence. At the feedback and control stage the whole sequence is re-started. Planning is required for short term and long term profitability and should respond to changes in the environment (Palmer, 2004:208)

Establishing Strategic Business units

This defines the business the company is carrying on to achieve its corporate missions, for example, car making, food processing, shoe making etc. The core business can be redefined continually. Business definition may be based on customer groups or customer needs or technology. Where there are different businesses, each may have a separate strategy, and funding.

Assigning Resources to Strategic Business Units

- Profitability must be considered.
- The relevance must be evident.
- No wastages.
- Possibility of outsourcing.

Self Assessment

Discuss briefly the steps in marketing planning.

3.3 Planning for Financial services

The organizations size in terms of operations and markets will determine the level of finance required. Small ones depend on the reputation and the integrity of the owner(s). The level of finance required may be less substantial. Big organizations have their reputation built around corporate management, policy instruments, legal framework and their financial standing within the industry and economy. The medium size businesses exist between the small organizations and big organizations. They suffer the most because their sizes do not give them the privileges of big organizations. They are larger than the small ones and yet suffer their disadvantages.

Sources of finance for organizations are:

- Commercial banks.
- Capital market for long term finance (projects).
- Money market for short term finance.
- Internally generated funds from operations.
- Specialized banks e.g. NEXIM Bank and Nigerian Bank for Commerce and Industry.

Providers of such finances are:

- Commercial banks.
- Insurance companies.
- Capital market operations e.g. brokers.
- Finance and accounting departments.
- Specialized banks.

Self Assessment
What are the sources of finance?
List the providers of such finances.

3.4 Linkage Between Marketing, Planning and Financial Services

Marketing helps to identify the needs of consumers. These needs have to be met according to customer demand. Once the needs are identified the organization commences procedures to bring the products or services that will satisfy these needs, wants and demand. Marketing planning fulfils the procedures for bringing about the products. Resources that are required to bring products into existence are linked to the stages of production. Financial resources are central to marketing planning. Marketing planning identifies the markets and financial planning identifies the sources of funds to finance these activities.

3.5 Planning for Financial Services

The need for finance arises once a marketing plan has been drawn up. Depending on the level of the organization and the scope of the market, the quality of goods or extent of the service will be determined. The considerations are:

1) Can the financial resources available to the organization from within finance the marketing plan? For future markets with the organization look inward or should it look outwards?
2) The level of planning may require sourcing for funds from outside. Where the need is only for a short period or to meet immediate needs, short term sources of funds especially banks and financial institutions may be handy.
3) The organization may build up funds in the money market to meet the immediate or temporar y financial needs of the organization. For example, investing surpluses in fixed deposits, treasury bills etc.
4) For long term needs of customer's long term sources of funds will be considered. Ordinary shares or preference shares may be issued and raised to expand facilities, operations or markets. Debentures or loan stock, in the case of governments, may be issued and loans raised to finance the marketing.
5) Long term loans, equity (preference and ordinary shares) have serious implications which must be considered.
6) Approval of the Board may be required for lar ge organizations. Processes for approval may be long.
7) The quality of financial statements matter. Audited accounts must be available.
8) Financial plans, including cash budgets, must be available.
9) The need to use the services of the bank, stoke broker or financial consultants must be examined.
10) Evaluating the cost of the funds to be obtained in the face of alternative sources of financing is necessary.

Self Assessment
Why is it important to plan for financial services?

4.0 Conclusion

Marketing planning is essential in delivering of products. This must end with financial planning in order to emplo y the resources of the organization to efficiency. Planning for financial services takes cognizance of the various sources of finance and who the providers are. Planning helps in enjoying financial services and in meeting customer demand and profitably.

5.0 Summary

In this unit, marketing was defined and marketing planning was explained. The various steps and procedures for planning was described. The need for financial planning was equally presented.

6.0 Tutor-Marked Assignment.

1) Explain the steps that are important in marketing planning?
2) How do you plan for financial services?

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UNIT 5: ANALYSIS OF FINANCIAL SERVICES MARKET.

CONTENT:

1.0 Introduction

There are various sources of finance and different services provided towards securing the needed finance. The wheels that bring about financial resources are financial services. The objective of financial decisions and services is to contribute to the attainment of corporate goals. The task of those providing the service and the resource itself is "to plan, raise and use funds in an effective manner to achieve objectives" (Pike & Neale, 2006:5).

Key decisions involved in finance are investment decisions and financing decisions which have to do with what to acquire and wher e such finance is to be obtained respectively .Apart from these, the financial manager has a responsibility to ensure the sufficiency and availability of funds to meet the needs of the organization. Therefore, in-depth knowledge of the future financial requirements and the financial markets need be possessed.

3.1 Financial Markets

There are two broad categories of financial markets. The distinction between them is based on the time factor and the type of transaction and instruments used. These are the money and capital markets. The money market is where banks significantly dominate with other financial services. They are involved in mainly short term sourcing and investments of funds within a short period, usually one. Common instruments used are cheques, credit cards, deposits' acknowledgements, certificates of deposits, treasury bills, commercial papers, banks etc by which funds become available in the market. From these short term loans, over drafts, payments and other transactions are made.

Direct investment is the money that is not usually made through treasury bills, certificates etc. Individuals, government and businesses access this category of funds not necessary through the banks but directly. Users of funds who acquire funds in the money market may invest such funds in stocks and enhance their operations. Repayment of credits is possible through obtaining funds in the money market. The financial services provided should be efficient and the cost of obtaining the service should not be arbitrary.

Regulations and regulatory bodies monitor and ensure that the costs made by banks, financial institutions have to be in accordance with existing regulation. There is the need to ensure solvency. Each institution should be liquid enough to sustain its activities. Threats and fears of insecurity should be prevented as these can cause panic and loss of confidence.

Capital markets deal with long term investments and instruments involved are debentures, loan stock or bonds, ordinary shares, preference shares. The markets for these instruments are the stock Exchange, the Wall Street (America) etc. The market is either primary for fresh issues or secondary where holders of the instruments can dispose of their interest as they desire. The secondary market operations ensure that the capital raised in the primary market is not temper ed with. The capital market is an avenue for investors (business individuals and government to invest directly. They use stock brokers or issuing agents (houses).

The funds so raised are used to expand businesses, purchase plants, land, or build properties. The instruments or investments must be secured. Their values should be reasonable (as regulated by the stock Exchange and Stock Exchange Commission). There should be free access to information on regularly basis. Management should ensure that there is good corporate governance and accountability. Government through regulation and supervision ensures transparency otherwise there would be loss of confidence in this market. The consequences will be disastrous.

Self Assessment
Explain financial market.

3.2 Financial Services.

There are several services rendered by financial markets. The major role is intermediation. The money and capital market institutions facilitate intermediation. The others are:

- Generating finance from several small investors, individuals and pooling together these to lend to those who need the fund.
- Reducing risk especially from unit trusts. Funds from trusts are invested in different portfolios. Institutional investors diversify their investments to reduce risks.
- The markets provide both short term and long term funds. Those borrowing short go to the money market. Those borrowing long go to the capital market. Borrowing long from money markets is quite risky. Insolvency may arise leading to bank failures as in 2008/2009 globally. This began in USA.
- Financial markets bring together small savers and large or institutional borrowers at reduced or low costs.
- Lenders and borrowers have access to professional and expert advice.

Financial services markets should be seen to be providing these services. Without these, their relevance would be questionable. They have a duty to ensure efficiency and continuity of their businesses and those of their clients or customers. They have to make “sound, adequate and reliable financial information”, (Rose & Marquis, 2006;54).

Self Assessment
What do we mean by intermediation?

3.3 Analysis of Financial Service Markets (institutions).

3.3.1 Deposit Taking institutions

The main feature of this category is the receiving of deposits. Majority banks play this role. Other financial institutions are also involved in deposit taking.

- Commercial Banks-Retain Banking services.
- They receive deposits from customers and are involved in commercial lending (Sanders & Cornett, 2006).
- Payment services such as clearing of cheques, paying out of currency.
- In universal banking system they undertake whole banking also.
- Commercial banks have sub-categories viz:
    a) Micro banks/ community banks.
    b) Regional Banks.
    c) National or Super regional banks.

(Saunders & Millon, 2006).

In Nigeria there are 25 Mega banks as at 2009 and micro banks which have replaced community banks.

Savings Institutions

This category mainly mobilizes savings for a long period. Immediate release of such savings is not a target. Savers save for a long term purpose. Short term savings are also encouraged.

Whole Sale Banking

This is also called Merchant Banking. They finance businesses through accepting services (bills of exchange) and discounting services, providing cash to by discount bills of exchange. They save institutional investors, large corporate and governments. They help businesses in mergers and acquisition arrangement. They help businesses also manage funds. They are also advice companies etc on financial matters. They manage pension funds, unit trusts, insurance funds, investments, leasing.

Building societies and Mortgage Institutions

They mobilize savings and grant loans for building purchase. They are specialized savings institutions.

Self Assessment
List financial institutions.

3.3.2 Contractual Financial Institutions

- Pension funds are a major source of investible funds. They manage pension contributions for employees and employers. They have two schemes.

  a) Self-administered schemes: the funds are invested directly in the financial market (capital market).
  b) Insured scheme where the funds are insured a life assurance company and the risk are covered the company.

- Insurance companies

a) Life assurance. }
b) Pension provision. } these are long term insurance.

General insurance cover losses from fire, accidents, motor etc within a 12 month period. Funds generated from these are invested in short term investments.

3.3.3 Units and Investment Trusts

Investment Units

Investor's funds are pooled into a portfolio of investments. Each investor is allotted tranches or units according to amount contributed. They are mainly operated by banks, insurance and finance companies. Individuals can only dispose of their tranches or holdings only through the manager.

Investment Trusts

They are limited companies set up to invest in securities quoted on the stock Exchange. They invest specifically in services. Shares are soled on the stock exchange.

3.3.4 Globalization and Financial Services

The activities of prominent stock markets are always on internet, dailies, news. Development in one country affects other countries. The financial meltdown began in USA and towards the end of 2008 and has affected the world. Individuals and institutions patronize other stock markets. Trading of securities in the internet has become a growing business. Financial markets have been brought to the door steps of individuals, governments and businesses.

4.0 Conclusion

The above analysis has revealed the major role of financial services markets in intermediation. Borrowers and lenders are linked and their transactions protected. Therefore, making financing and investing decisions has been possible. These decisions lead to efficiency and sustainability of businesses. Each sector of the financial market plays a significant role. They are regulated to sustain confidence of investors, provide liquidity in the short and long run.

5.0 Summary

The unit has discussed what finance services, institutions and markets do. The benefits of their services underscore their continuity. The various types of services rendered were also discussed. The globalization and impacts of financial markets was briefly made.

6.0 Tutor-Marked Assignments

1a) Distinguish between capital and money market.
b) Distinguish between primary and secondar y market.

2) Discuss the services financial institutions provide.

7.0 References/Further reading

Adeyi, J.A (2008). Profiting with stocks: Top secrets of making millions from shares, Go-Go International Limited Jos, Nigeria.

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UNIT 6: MARKET SEGMENT.

CONTENTS:

1.0 Introduction

The essence of marketing is not only to provide goods and services which are needed. The ultimate is to make a profit. The stakeholders; shareholders, loan providers, management, government and community have expectations which have to be met and usually from profits and activities of the organization. Marketing has an objective. Careful analysis of the market is required for sustained and profitable marketing of products and services. Market segmentation is inevitable.

2.0 Objectives

- Define and explain market segmentation.
- Describe the types of market segment.
- Explain requirements for segmentation.

3.0 Main Content

3.1 Market segmentation

Market segmentation is identifying and analyzing a market and dividing it into segments. This is based on profiling of customers who want various products/services depending on their demography, psychography and behavior (Kotler and Keller, 2006). The reason for segmentation is to determine the segment that offers the greatest opportunity for offering. From these segments, a choice of the segment that presents the highest of opportunities is made. From segmentation, the target markets are identified. The benefits are then revealed to this segment. Efforts are concentrated on this segment. Market segmentation should show where the marketer or organization should focus. Exploring and exploiting segments have great rewards where:

- The segment is attractive.
- The company's objectives are realized.
- The resources are employed for the higher benefits.
- Developing and communicating a positioning strategy (STP).

a) Through segmentation.
b) Through targeting and
c) Through positioning.

The end result of segmentation should cover:

- Meeting the needs of the group.
- Satisfying these needs in a superior way.
- Making the segment market to recognize the distinct way the needs are met.
- Avoiding confusion in the market and its image.

The role of the marketer is to identify not to create the segment based on preferences of the customers.

3.2 Levels of Market Segmentation

3.2.1 Mass Marketing

This is broad, generalized and meets a large need. It involves mass production, distribution and promotion of one product to meet the needs of all users (Kotler &Keller, 2006). For example, coca cola produces to meet all buyers.

3.2.2 Micro Marketing

This is taking over mass marketing as meeting the demands of buyers with one product in becoming a fallacy. Some may want the coke with less caffeine or sugar or gas or smaller or bigger. Still, some may want it in small quantities or bottles or cans for take always. Micro marketing is done at different levels such as segment marketing, Niche marketing, Local marketing, customerization (individuals).

3.2.3 Market Segmentation

This category share common needs. There may be customers who want low-cost cars or luxury cars. Segmentation seeks to cope with competition and meet specific need more than mass marketing. Three different patterns of segment marketing can emerge based on preferences:

- Homogenous Preferences

Their preferences are similar and clearly recognizable. They share the same attributes, taste and presentability.

- Diffused Preferences

They have varying needs. They need different marketers and brands to satisfy their demand.

- Clustered Preferences

There preferences are natural to them. Different branches are required for this market. Marketing can, begin anywhere on the scale and spread to other parts of the market. From an area of high population or low population the other market will be covered. It can begin with the largest population (called concentrated marketing).

3.2.4 Niche Marketing

This is sub-segment. The customers have distinctive set of needs and are ready to pay higher to have their needs made. They are smaller and attract only one or two competitors. Their products are usually special.

3.2.5 Local Marketing

These markets suit customers within a locality. The services are tailored towards the needs in the locality. This can be called grass root marketing or experimental marketing (unique experiences), e.g. sponsoring football or golf tournaments.

3.2.6 Customerization.

This is the ultimate called one-to-one marketing. Marketing meets the needs of individuals. This required knowledge information about the individual customer and his needs.

3.4 Required For Market Segmentation

- Geographic segmentation divides the market into geographic units: nations, states, regions, countries, cities, local areas etc.
- Demographic segmentation identifies age, family sizes, cycle, gender, income, occupation, religion, race, generation, etc.
- Psychographic segmentation examines the psychology of consumers e.g. personality, lifestyles, values. The customer in a demographic segment may reveal different profiles or personality and tastes.

4.0 Conclusion

The above has defined and explained market segmentation. The marketing objective is to make a profit by providing products and services to markets segmenting markets yield this objective. Understanding the need of the market and the various segments informs wise marketing decisions.

5.0 Summary

The unit has thrown more light on the concept of marketing segment. The various segments that are basic to understanding the market have been explained. The basic variables to be considered in market segmentation are also discussed briefly.

6.0 Tutor-Marked Assignments

1) Explain market segmentation micro marketing.
2) List the basic requirements for market segmentation.

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UNIT 7: MARKET MIX STRATEGIES IN FINANCIAL SERVICES.

CONTENTS:

1.0 Introduction

There are different market segments that offer different opportunities. Organizations usually go for one or select the contribution of markets that have optimum profits. Different measures and used to determine and describe the markets. Markets can be measured through sales volume, sales values, growth rate or level of competitiveness. Marketing mix is a framework that highlights the principal decisions that managers make in configuring their offerings to suit their customers' needs. These tools are useful for both the long term and short term tactical programs (Palmer, 2004:19).

2.0 Objectives

- Explain marketing mix.
- Explain market mix strategies in financial services.

3.0 Main Content

3.1 Marketing mix

This is

> A set of marketing tools that work together to satisfy customer needs and build customer relationships and is useful in implementing marketing strategy
> (Kotler & Armstrong, 2008:8 & 12).

The market mix is the set of controllable, tactical marketing tools that the organization blends to produce the desired response in the market. (Kotler & Keller, 2006, Kotler & Armstrong, 2008) explain that the four marketing Ps center on target market. These Ps are:

- Product- product variety, quality, design, features, brand, name, packaging, sizes, services warranties and returns.
- Price- focuses on price list, discounts, allowances, payment periods and credit terms.
- Promotion- covers sales promotion, advertising sales, force, public relations, direct marketing.
- Place- gives coverage, channels, assortments, locations, inventory and transport.

These are the sellers' strategies which match the customers' 4 Cs.

- Customer solution.
- Customer convenience.
- Customer cost.
- Communication.

Palmer adds 3 Ps to Kotler & Keller's, Armstrong's 4 Ps.

- People.
- Process.
- Physical.

All these are directed at meeting and satisfying customer needs at a profit. These tools are interdependent and all point to the target market.

3.2 Market mix strategies in financing

Financial services bring about financial resources to prosecute the market plan. The financial resources are based on marketing forecast and planning. Depending on the forecast, a number of sources of funds are available. The level of production will determine the quality of resources and finance. Financial resources are obtained at cost. Planning involves making decisions that will bring about the finance at optimum costs. Haphazard arrangements are risky and costly. Sources of funds for temporary short term needs are different from sources of funds for long term needs. The choices must be evaluated.

Sources of Long Term Finance

- Capital market:

  a) Debentures.
  b) Loan stock.
  c) Preference shares.
  d) Ordinary shares.

- Costs:

a) Interest.
b) Dividend.
c) Brokerage.

These are available for capital projects which returns are long term and sustainable.

Sources of Short Term Finance

- Money markets are majorly banks and other financial/depository institutions.
- Credits from suppliers.

The costs involve interest, charges, discounts etc.

Capital Structures

The decision to obtain funds must be taken in cognizance with the composition of the capital structure. A high ratio of loan capital increases the financial risk of the organization. A low incidence of loan capital means the organization is not taking advantage of the loan capital which interest is deductible from the profits thus enhancing profitability. A balance of loans and equity both in the long run and medium term is required.

The working Capital Segment

The sustainability of operations depends on this segment in the short run. A balance is also required here. The short term liabilities must always be secured and covered by short term assets. Excessive current assets holdings may indicate high investment in stock and holding of liquid assets including debtors. This is idle capital that could be profitably used. Shortages of these assets create insolvency and cost of redeeming this is costly. Obtaining cash immediately or within short intervals may be costly. Operations may slow down and markets may be lost.

The sources of these services are the capital markets, banks, mortgages, stock broking firms, capital market (stock Exchange for IPO and secondary transactions). Services are not obtained free of charge.

4.0 Conclusion

Marketing mix strategies is a marketing concept that is useful in implementing the marketing strategy. Achieving the marketing mix results in profitability. Applying the concept to financial services avail the organization an opportunity to consider the most profitable sources of finance for its current and future operations. These costs may affect profitability and sometimes the capital balance. High gearing and insolvency should be watched against in financing operations.

5.0 Summary

The unit has discussed marketing mix and highlighted how marketing mix facilitates strategy implementation marketing of products and services. The 4 Ps of Kotler and Kevin and the 3 Ps of Palmer are regular tools that enhance marketing of products and services. The organization must consider sources of funds from money markets and capital markets. The issue of capital structure and gearing is pertinent in determining the composition of finance.

6.0 Tutor-Marked Assignment

1) Explain the marketing mix tools in implementing the marketing strategy.
2) Discuss the importance of considering the types of finance to use.

7.0 References/Further reading

Kotler, P & Armstrong, G. (2008). Principles of Marketing, Pearson, Prentice Hall, New Jersey

Palmer, A. (2004). Introduction to Marketing, Theory and Practice, Oxford University Press, New York.

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UNIT 8: MARKETING OF FINANCIAL SERVICES

CONTENT:

1.0 Introduction

Financial services are very important in every economy. This is because financial resources are required to run businesses successfully. Providers of financial services have to render efficient services to users of these services. Planning and adopting effective strategies for marketing of financial services is the responsibility of management. They should know the types of financial services and how to access such services to raise financial resources needed. The users of financial services need to know that providers of financial resources can offer useful financial advice.

2.0 Objectives

At the end of this unit you should be able to

- Understand the importance of marketing financial services.
- Identify providers of financial services.
- Identify the sources rendered b y banks, capital markets and insurance businesses.
- Know where to obtain professional advice on financial services.

There are experts within the economy such as bankers, accountants, stock brokers and insurance managers etc who can give professional guidance on how to raise and use funds (money and cash). The existence, functions and relevance as well as other financial services should be known to those who need such services. There are different types of services being offered by different bodies. Managers and individuals should have basic knowledge of these to guide their business choices. They should be able to know and obtain professional guidance from them. Providers of financial services are always introducing new ways of meeting their customers' needs. Users must be able to acquaint themselves with the benefits and safety of such new services. Financial services are referr ed to as products.

3.0 Main Content

This section focuses on marketing of financial services such as banking, capital market and insurance. The role of professionals in rendering these services will also be covered.

3.1 Marketing of financial services

Marketing is strategic in bringing about awareness about financial services to the door steps of customers who need such services. Marketing raises awareness and introduces new products to existing and prospective customers. The following financial services will be discussed.

3.1.1 Banking services

Banks play the important role of intermediation. That is they mobilize or generate funds within the economy and investors are able to borrow from banks for the following purposes:

- Expanding existing businesses.
- Introducing new products or technology.
- Meeting temporary financial shortage.
- Diversifying their businesses.

Banks carr y out extensive advertisements:

- Through print media such as newspapers, magazines.
- Through electronic media such as radio television.
- Internet (websites) because of the advantages of internet communication technology.
- Door to door or personal contact.
- Sales promotion such as sports etc.
- Sponsorship.

These and various other strategies reveal the various services (new and old) which banks render. These attract more customers. Usually, the more the customers, the more the deposits and the greater the services that banks render. Energetic and resourceful personnel are engaged to work in the marketing departments to introduce banking services to customers and win more patronage. Services rendered by banks:

- Accepting of deposits (customers' funds which are kept in the banks).
- Paying such deposits to customers on request.
- Lending of banks money to customers who desire and request for loans.
- Keeping of valuable documents, valuables such as certificates of occupancy, title documents of properties, share certificates and gold trinkets jewelries etc.
- Undertaking wholesale financial services to corporate bodies both national and multinationals.
- Undertaking insurance and other financial services to customers under the universal banking system.
- Serving as financial advisers to their customers.
- Rendering stock broking services.
- Offering forex services.
- Transmission of funds for customers within and outside the country. This service has been made possible and efficient because of internet communication technology-the e-banking.
- Intermediation- Banks mobilize funds from their customers and a ratio of this is lent to investors who need the funds. This way, more wealth is created and the bank returns are enhanced. The borrower, investor, shareholders (shareholders, employees) enjoy some level of returns (profit) from this functions. The government also generates revenue from the banks which pay tax on their profits.

3.1.2 Capital market

The capital market is a special market. It is a market where funds (money) for long term investments can be raised by corporate businesses which are registered and listed on the Stock exchange. The market is regulated by the Nigerian Securities Commission while the Nigerian Stock Exchange is the market where the instruments are raised and exchanged. The instruments used in the capital market are:

- Ordinary shares (share certificates).
- Preference shares (ll ll)
- Bonds / Debentures (Debentures Deed).
- Development loan stocks (Loan Deed).

There are used for raising long term loans. The following are used in the money market (for short term loans) having repayment periods of between 90 and 360 days:

- Treasury bills.
- Treasury Certificates.
- Certificates of deposits.
- Commercial papers.
- Bank acceptances.
- Promissory Notes.

Businesses must meet certain conditions for them to be listed on the stock exchange for them to enjoy capital market services. Once listed, they can obtain funds by initial public offers (IPO) when the company so listed is raising fresh funds. The secondary market on the floor of the stock exchange existing shareholders can raise money by selling part or the whole of their shares.

3.1.3 Insurance Services

Insurance businesses are regulated by the Nigerian Insurance Commission. Insurance services include life assurance; insurance etc. Insurance is the undertaking by an individual to pay certain sums of money as premiums periodically to an insurer (company) so that when an unfortunate event occurs and causes him/her to lose his/her life or an asset the insurer will compensate the insured accordingly.

- Insurance is a highly risky business.
- Insurance is ver y helpful in resuscitating businesses that are devastated by hazards.
- They require regular and consistent honoring of commitments especially premium payment.
- Banks now operate insurance business as subsidiaries.
- Insurance is yet to be embraced by the public quite unlike banks.

3.2 Providers of Financial Services

- Professional Accountants.
- Professional firms owned by accountants who render financial services.
- Insurance companies.
- Stock brokers.
- Bankers.
- Financial consulting firms.

4.0 Conclusion

This unit has revealed the significant roles of marketing of financial services and the importance of this in exposing such services to businesses. Customers can access such services and use professional experts to guide them. Insurance of business assets etc can be ver y helpful to the businesses and individuals.

5.0 Summary

The unit has discussed marketing of financial services. What these services are and where they can be obtained have been discussed. The role of professionals in providing financial guidance is also summarized.

6.0 Tutor-Marked Assignment

1) Discuss the types of financial services.
2) a) What services do banks render?
   b) Mention those who can help offer professional guidance on financial services.

7.0 References/Further reading

Adeyi, J.A (2008). Profiting with stocks: Top secrets of making millions from shares, Go-Go International Limited Jos, Nigeria.

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UNIT 9: ENVIRONMENT FOR FINANCIAL SERVICES MARKET IN NIGERIA

CONTENT:

1.0 Introduction

For every industry to thrive the environment must be conducive. The financial services belong to the financial sector of the economy. The financial system creates and regulates the operations of banks and capital market, money market, insurance, pensions and the accounting, auditing etc professions. An efficient financial system provides quality financial services that support the financial sector in particular and the economy in general.

The environments for financial services constitute the general economy and political stability. The relevant laws that direct the flow of the economy, fiscal policies and legislative enactments as well as existing and new policies provide the general framework for rendering financial services. The standards attained have regional and global implications. The growth, development and stability of the financial system depend on the economic and political stability of the country.
Policy stability, affiliation to other economies and confidence in the financial system by foreign stakeholders or interest can strengthen or weaken the financial services market.

2.0 Objectives

Describe the Nigerian financial environment
Discuss challenges and prospects of financial services in Nigeria

3.0 Main Content

3.1 The Nigerian Financial Environment

Nigeria is a highly populated country with over 140 million people, as the census of 2006 indicates. The economy is petroleum, monoproduct dominant one. The government is key controller of economic and financial policies. The financial sector is regulated through the central bank of Nigeria which is the government agent through which policies (both micro and macro) are formulated and implemented.

The legislature that has been assuming prominence and confidence is actively watching, refining and enacting new laws that are affecting the financial system. The role of the regulating organs such as the Nigerian Deposit Insurance Corporation, the Nigerian Insurance Commission, the Nigerian Stock Exchange Commission and the Stock Exchange, the Pension Commission etc play significant roles in the economy and in the financial system. The law courts and judicial decisions have bearings on issues affecting the financial system. The creation and functions of the Economic and Financial Crimes Commission, the Independent and other Corrupt Practices Commission (ICPC) and the role of security agencies have impact on the financial system.

Their various roles either weaken or strengthen the financial system. Since the economy is not operating in isolation to the world economy, it is not insulated from the state of the global economy. The confidence reposed on the system by other international stakeholders may grow the economy or deflate the system.

The environment of financial services has been expanding. The petroleum sector has contributed very much to the growth development of the financial services. The next buoyant sector of the Nigerian economy is the banking sector. The telecommunication sector has had great impact on the economy also. The two sectors: petroleum and telecommunication have grown the financial services sector. The financial sector is the repository of funds and growth in the sector has been due to expansion in the petroleum sector and telecommunication. The banking sector suffered greatly between the mid 1990s and the early 2000s. The phenomenon of financial distress due to lack of funds reduced the strength of the banks. This reduced the solvent banks from over 100 to 89 by 2003.

The recapitalization of the banks to minimum of N250billion Naira reduced the number of banks to 25. The central bank of Nigeria had to intervene to save eight banks by injecting N620billion Naira into them. They were assessed to have run into liquidity and solvency problems.
The environment of the Nigerian financial system has been afflicted by sharp practices bordering on indiscipline in lending, corruption, poor governance,

instability in monetary and fiscal policies. The r egulatory oversight, despite the introduction of NDIC has not instilled financial discipline. The adequacies of the legal policies and instruments have been rather questionable.

3.2 Challenges of Financial Services in Nigeria

- The following are challenges:
- Stability of fiscal and monetary policies
- The appropriateness and adequacy of legislation of the various sectors.
- Lack of continuity of policies.
- Corruption and challenges of corporate governance.
- Globalization and healthy competition.
- The challenges of internet and electronic operations.

3.3. The Prospects of Financial Services in Nigeria.

The Nigerian financial system and the economy general are developing. There is a propensity to grow and this tendency reveals the potentials inherent on the economy. The following features offer prospects for the financial markets and financial services.

The general stability in the polity since the inception of democracy is paving way for the release of hidden potentials on the economy. The government is shifting towards diverting control in direct economic control and creating infrastructure to facilitate economic growth. This is affecting the financial service sector too.

The Government is directing policies toward diversifying the economy to reduce dependence on petroleum. This will make the mineral sector and the manufacturing sectors to boom. This will create a boom for financial services. The growth and impacting IC technology and globalization have impetus for the financial services helps to boost confidence in customers who depend on financial services for their local and international transactions.

Competition in this sector is a factor that enshrines quality and therefore expanding the scope of financial services. This is leading to more patronage.

The population of Nigeria which is140 million is large and growing intermediation is reducing the informal sector in the financial system and enlarging the formal sector. This is a prospect for growing need for financial services.

4.0 Conclusion

There are benefits in having an efficient financial system. The environment of the financial system can cause it to grow. It is important to have workable policies, legislation and supervision that will sustain confidence and patronage. Dealing with problems of corruption, indiscipline, adherence to policies will sustain the required atmosphere for rendering and enjoying financial services.

5.0 Summary

The unit examined the Nigerian financial environment. The general financial system and the various sectors such as capital market, insurance, banks were discussed. The role of the regulatory bodies, professional bodies were highlighted, the challenges and prospects were summarized.

6.0 Tutor-Marked Assignment

1) Describe the Nigerian financial environment.
2) Discuss challenges and prospects facing the environment.

7.0 References/Further reading

Adeyi, J.A (2008). Profiting with stocks: Top secrets of making millions from shares, Go-Go International Limited Jos, Nigeria.

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Publishers, New York.

UNIT 10: INNOVATIONS IN FINANCIAL SERVICES MARKETING: THE INTERNET SYSTEM ETC

CONTENT:

1.0 Introduction

The economy is dynamic (Rose and Marquis, 2006) because the taste of consumers is dynamic. Marketing research is dynamic and is continually seeking to identify and satisfy consumers' taste. New products; cell phones, etc are abound which were hitherto unknown. Customers to banks are daily and hourly kept abreast of developments concerning their account balances and transactions affecting their accounts. New things that emerge are being marketed and customers are sensitized to embrace such new ideas and innovations.

Globalization has integrated even small organization and individuals into the global financial system. New trends are always being introduced to improve financial services delivery. Research and development have in focus innovations for efficient operations.

Computer, internet connectivity, telecommunications (cell phones etc) are being financial services and marketing to customers. These changes are compelling consumers to change their taste also. Today's financial system is drastically different from that of the 1990s. Therefore the system ten years from now will be considerably different from that of today.

2.0 Objectives

- Explain the dynamic nature of financial services.
- Explain new innovation in financial services marketing.
- Explain how today's challenges affect tomorrow's services

3.0 Main Content

3.1 Innovations in Financial Services

Forces and influences are emerging and there are many factors that are affecting the financial system and the services being rendered.
Research into improving the system and bringing about new methods of providing efficient financial services that satisfy customers are underway.

3.1.1 Financial Innovations

Research should avail new financial services. New instrument should be developed to meet new customers taste. New innovations are e-banking cell phone banking, account balance alarms, home banking etc. Current ideas include home equity credit lines international mutual funds, trust preferred stock etc.

3.1.2 Service Proliferation

These have to do with meeting the financial service needs of customers. Customized service pleases customers. Financial institutions have the same goal in term of services being offered.

3.1.3 Competition

The scope of financial services rendered by the various classes of financial institutions is being narrowed. Locally, these institutions are competing to render similar services within each category. For example banks render services that are virtually the same. The globalization of markets may lead to individuals and small customers being served. This spreads clientele. Competition for customers is acute.
Mergers and acquisition are means of expanding customers no matter how small or big. Conglomerates have customers all over the globe.

3.1.4 Free Enterprise and free Regulation

Privatization is liberalizing markets and freeing governments from regulation of businesses. The financial services are the sectors that governments especially in developing nations want to control. A regulated financial market has a high tendency to be inefficient compared to a deregulated market that is subject to the forces of demand and supply. That is the financial mar ket or system is now in private hands not government.

3.1.5 Globalization and Homogenization

Financial services are not seeking to satisfy local needs only. The types of services are similar as needs of customers. The same service meets customers' needs all over the globe. Homogenous services are offered to customers all over.

3.1.6 Expanding Markets

Globalization and advances in the telecommunication industry brought about by technology have taken financial services to customers in other countries. The local producer of mineral ores can source for markets in the internet and this expands the market. Financial institutions have access to international financial corporations and may be well served.

3.2 Socio-economic Factors

The population of countries and the world is changing. The advances made in science and technology and education have refined governments business and individuals. The life expectancy has been raised in developed nations. Good health delivery services and higher standard of living improved the quality of life.
The movement toward individualism and gender balance are factors that are capable of affecting the financial base and decision of individuals.

3.3 Dynamics of Financial needs of Customers

The following considerations are important:

- Aging population and transferring wealth to heirs
- Corporate customers can raise fund directly from the market not through banks, capital markets.
- Savings for retirement by millions outside of the regular or formal retirement plans
- Modern, ICT facilities give access to funds or credit more easily than previous.
- Management of individuals' assets.
- Greater ethnic diversity. The various ethnic groups have philosophies and attitudes that define their financial need.

- Mobility in jobs and changing locations require financial services that meet this kind of need.
- Personal financial planning for individuals', families and small businesses are emerging areas of needs.

It should be noted that new innovations have their challenges now and for the future.

4.0 Conclusion

The above discourse has highlighted the changing tastes and needs of customers. This dynamism poses greater challenges to modify financial services to suit customers' tastes. The various innovations to be embraced should be customer and marketing research based. The effects of globalization, communication technologies have attendant effect on the scope and quality of financial services expected.

5.0 Summary

The unit covers innovation n financial service. The factors that reshape the financial markets were discussed. The role of socio-economic factors are crucial in financial service delivery as pr esented n this unit.

6.0 Tutor-Marked Assignment.

1). Discuss the environment of financial services marketing in Nigeria
2). What are the problems or challenges of the financial service environment. List them.

7.0 References/Further reading

Adeyi, J.A (2008). Profiting with stocks: Top secrets of making millions from shares, Go-Go International Limited Jos, Nigeria.

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UNIT 11: APRAISAL OF FINANCIAL SERVICES MARKETING

CONTENT:

1.0 Introduction

The financial services sector comprises of:

- Depository financial services (example are commercial banks savings institution and credit units
- Investment banks and capital marked sector
- Insurance business
- Pension fund institutions
- Finance companies
- Mutual fund

These organizations perform the core financial services within the financial system and the economy. The role of intermediation involves flow of funds.

This flow is essential in sustaining the system and the economy. Within this system are sectors with surplus funds and sectors that are short of funds. Financial institutions stand between those who have surplus funds and those who need such funds for investment. Financial institutions perform the essential role of channeling funds (Saunders and Cornett, 2006; Rose and Marquis, 2006). They also attract savings. Money or cash that is held outside the financial system is not available for intermediation.

3.0 Main Content

3.1 Financial Intermediation

The financial institutions provide their services in the formal sector. There is a salient role of reducing the informal sector. The lower the role of the informal sector in the financial services the higher is the level of intermediation. This also measures the extent of the formal sector.

The financial services engender growth and development of the economy. Flow of funds from suppliers to users propels expansion of business. This flow of funds is connected to wealth creation. The freer the flow, the more the growth of the economy. More wealth is being created.

There are risks associated with intermediation and the provision of finance. The common risks faced are default or credit-risk, mismatching maturity of balance sheet assets and liabilities, interest rate risk, liquidity risk (liability withdrawal), underwriting risks, operating risk costs especially in producing financial service (Saunders and Cornett, 2a). These risks vary with financial service. The extent of management of risks improves the financial services and the flow of funds or it may dampen the growth of these services.

Confidence is the factor that keeps financial institution in business. The financial sector is the area that is given special regulation. The providers require confidence that their funds are safe and the obligation due them are honoured. The users need confidence that funds will be sourced by them at acceptable conditions and these conditions are mutually agreed. The intermediators, the financial institutions, maintain a level playing field and expect to enjoy benefits of the services they facilitate or provide.

Regulations ensure mutual respect and help provide the necessar y atmosphere for flows of funds. The level of development of the financial system is seen in the attainment of smooth flow of intermediation, strong compliance with regulation, effective monitoring of financial services being provided. The attraction of foreign capital is indicative of the confidence outside financial system have and in the financial system.

The internationalization of financial service brings about foreign investment. Globalization has opened up market across nations and countries. This is a measure of growth. Economies that access funds for investment across national boundaries have developed confidence to customers across these borders.

3.2 Financial Systems

Financial systems perform the following function (Rose and Marquis, 2006:7):

- The savings function
- Wealth function
- Liquidity function
- Payments function
- Risk protection function
- Policy function

These function determine the contain button and efficiency of the function sector to the economy

3.2.1 Savings Function

Saving by the public including businesses transform into debentures, shares, bills of exchange, treasury bills etc. Through these more goods and services are provided. Increase in saving enlarge this function Low savings means Low investment. The savings function is linked to living standard. The saving functions are linked to living standards. The more the savings, the higher the standard of living. This role is growing in Nigeria. Decline in savings affect the financial system. The economic melt down and insolvency in the financial system has negative growth impetus.

3.2.2 Wealth Function

Debentures, shares, treasury bills etc are avenues to store or preserve wealth until required. The risk of loss, unless in an era of recession, is less compared to investment in automobiles etc. These instruments have returns which can grow the value of the instruments if reinvested.

3.2.3 Liquidity Function

The need for immediate cash to spend makes this function critical. The money and capital markets provide opportunities for turning debentures, bonds, shares to users or spendable funds. The availability of liquidity is paramount in all businesses and even to individuals. These instruments are easily convertible to cash and at low risk of loss. The financial services markets should develop to ensure easy convertibility and minimize the risk of loss.

3.2.4 Credit Function

Provision of credits is an adequate measure of the efficiency of the financial service market. The level of credit granted determines how developed the financial system is. Economic development and growth of the economy is a function of the level of credits extended. This growth means the challenges in granting credits are under control or well managed.

3.2.5 Payments

Facilitating payments encourages exchange. The clearing system and use of cheques, credit cards, electronic payments etc measure the flow of funds. Developed financial systems use more of electronic modes of payments and less of cheques or paper-based medium of payments. Less developed economies emphasize currency, cheques etc. confidence is required and the financial system ensures this.

3.2.6 Risk Protection

There are risks in business and life. The realization of the objectives of financial services is also seen in minimizing losses and protection against life, health, property and income risks.
Regulations that ensure safety of funds and operations hedge risks. This affects all sectors of the financial system.

3.2.7 Policy Function

The markets, financial and non-financial, face many uncertainties, inflation, recession etc. governments make policies to stabilize the economy. The financial institutions facilitate this function through enforcing implementing government regulations, policies and laws. This is a notable function.

4.0 Conclusion

This discussion has examined the role of financial systems and the services they play in sustaining the role of intermediation. Their role leads to growth and development of the economy and in raising the standards of living of the people.
The level of efficiency of the financial system is measured by the function they perform.

5.0 Summary

The unit has thrown light on the role played by the financial service sector. The various contribution made in the economy has been discussed. The basis for assessing the performance of each sector has also been highlighted.

6.0 Tutor-Marked Assignment

1) Evaluate the contribution of financial service sector.
2) Discuss how financial service engenders growth and development of the economy.

7.0 References/Further reading

Adeyi, J.A (2008). Profiting with stocks: Top secrets of making millions from shares, Go-Go International Limited Jos, Nigeria.

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UNIT 12: TREASURY FINANCIAL SERVICES

CONTENTS:

1.0 Introduction

Financial services involve daily cash management called treasury management. This is central to the success of an organization. Treasury management determines the daily strength of an organization. Every individual is involved in this function on daily basis.

The neglect of this function has brought embarrassment to many individuals and organizations. Solvent and liquid organizations have survived hard times became treasury financial services have been given the appropriate attention.

2. Objectives

- To define and describe treasury financial services.
- To identify treasury financial services.
- To identify symptoms of good and poor treasury financial services.

3. Main Content

3.1 The Treasury Function

Financial services have become crucial in treasury management. Losses can easily be suffered because of poor treasury services. The tem treasury refers to cash. Its management involves cash and liquidity management and short term financing as well as financial risk management and portfolio management. Portfolio refers to the “combination of securities” or an y other assets (Pike and Neale, 2006:220).

Treasury management is defined by Association of Corporate Treasurers as the "efficient management of liquidity and financial risk" (Pike and Neale, 2006:324).
The importance of this financial service can be seen in the number of losses and failed businesses because of insolvency and poor liquidity.

The success of the treasury financial service can be seen in the number of businesses that have been prevented from bankruptcy and failure because of insolvency and poor liquidity.
The success of the treasury and financial service is achieved through:

a. setting appropriate aims and policies, usually by the Board
b. setting the authorization levels
c. setting the level of liquidity
d. Setting up finance or treasury or liquidity committee.
e. Regular review and monitoring of the dynamics of treasury assets help to prevent financial embarrassment.

Treasury management involves cash management. The cash to be available must be planned for. Cash flow forecasts are prepared to reveal levels of cash and when cash may be in dire need. Surplus cash needs to be reinvested in short tem investments in the money market. Deficits can be made up through bank borrowing etc. Cash Economic Order Quantity and short term investments are avenues for employing idle cash profitably.

Self Assessment
What is treasury management and how can it be achieved?

3.2 Financial Services and Funding

Funding simply addresses how cash can be obtained for short term activities or operations and also for the long term.
The organization needs funds that are permanent, to finance major long term assets. Short term operations require regular cash which have to be available at the right time.

Funds can be obtained internally. Therefore, the financial services provider responsible for this service must determine what level of operations is to be financed with internally generated finance.
Borrowed cash is often inevitable. Too much borrowing too little has disadvantages.
A balance must be determined to give optimum benefits.
Decisions on the type of cash to borrow are mot easy to make. This could be a problem of choice. What type of loan or should it be an item that can be leased? Is

it for a long term period or a short term period? These require careful considerations.

Management of current assets such as debtors, stock or inventor y, short term investments should ensure availability of cash. Quality of debtors and stock should be high to prevent their becoming bad to reduce the amount of cash expected from them.

Self Assessment

What considerations are important in funding or financing decisions?

3.3 Financial Services and good relationships

Banks are custodians of cash in times of cash shortage. Banks and individuals and organization should maintain good banking relationship. Suppliers of credits (goods and services or cash) are to be held in high esteem. The relationship should border on openness, integrity, reliability and honesty. Consistency in transactions and in maintaining relationships are valuable assets.

Self Assessment

Why is good relationship management important in financial services?

4.0 Conclusion

The discussion above has revealed that treasury management is ver y important in sustaining liquidity and making an organization to be solvent. Regular decisions to sustain liquidity are to be made. This will involve sustaining good relationship with credit providers such as banks, suppliers of goods and other services.

5.0 Summary

The unit discussed what treasury financial services entails, the important function of cost management and potential management were highlighted .This may involve financing decision from cash generated from operation or borrowing. Relationship management in important in financial services and this is to be maintained.

6.0 Tutor-Marked Assignment

(1) Define the treasury management and describe the treasury management.
(2) Discuss the importance of relationship management in financial services.

7.0 References/Further reading

Adeyi, J.A (2008). Profiting with stocks: Top secrets of making millions from shares, Go-Go International Limited Jos, Nigeria.

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UNIT 13: FINANCIAL SERVICE AND SHORT-TERM ASSET MANAGEMENT

CONTENTS:

1.0 Introduction

As already discussed in unit 12, treasury management is important in making cash to be available so that there is no shortage of cash or illiquidity. The objective can be achieved through sound management of debtors, inventory and short term investments. They constitute a significant portion of the working capital and require attention. Finance services cover these areas also. Excess or low levels of these assets affect the quality of financial service being rendered.

2.0 Objectives

To be able to describe and improve on trade credits (debtors or receivables)
To be able to evaluate the importance of inventories or stock.

3.0 Main Content

3.1 Importance of Trade credits

Credits or selling goods or rendering services on credit basis rather than cash is a means of increasing sales, profits and consequently cash. This conveniently makes goods and services to be available. Payments for these follow based on mutually agreed terms. Credits are useful in the following ways:

i) Efficiency.
Quality goods and services sustain patronage by customers. Credit sales help to confirm the quality of goods produced and sold or services being provided. Poor quality of goods and services shut markets.

ii) Credit sales create investments in debtors who are greatly valued customers. Marketing of an organization's goods and services is advertising and making goods and services available directly. This enlarges the volume of sales which will have not been case if credit sales were not granted. The benefit can be seen in a sustained relationship with the customer over a long period. There are risks which translate to bad debts where the customer fails to honour credit terms.

iii) The sharp competition in the industry call for granting of credits. An organization that sells cash only releases a potential market share to competitors. Soon this will even affect the cash customers.

iv) There are organizations that may not easily access external loans to finance their operations. They therefore have access to credits through credit sales. This reduces difficulties of obtaining cash to purchase such goods and services.

The considerations for credits are:

- The quality of debtors must be high. This guarantees safety.
- Cash flow is maintained so that operations are not hampered and operational costs are incurred when this can be avoided.
- Managing credit terms such that costs are avoided.
- It involves considering the effects of credit periods, standards, collection policy as well as cost of cash discount.

Self Assessment
Why are credits necessary?

3.2 Importance of Inventory

Inventory or stock in an organization's investment in raw materials, work in progress goods and finished goods. These are potential cash waiting to be realized. They have to be handled with care so that they can translate to cash at the appropriate time.

Inventory can be held for a long time or a short time. Holding large amounts which take long to convert to cash attract costs hold a low level and not meeting demand is even more costly. The asset should neither be overstocked nor understocked.

Maintaining an appropriate level can be done through the following:

- Economic order quantity
- Computer programme based materials requirements planning and
- Just in time systems.

Inventories avail customers with the goods they require. They are the source of sales and profitability.

Self Assessment
Is inventor y an important asset in financial management?

4.0 Conclusion

The above discussion draws attention to the importance of current assets. Short-term assets include debtors, inventories and these are potential cash to be realized. It is important to manage them to increase sales, profit and make cash available. This way liquidity is built up and operations are sustained. There are costs in investments in these assets. These costs and benefits should be evaluated vis-avis the benefits. Therefore current assets are important to the finance officer and the organization.

5.0 Summary

The unit focused on the need to pay attention to debtors and inventories which are significant in the investments of organizations. Both help to boost sales and raise liquidity. They have costs which must be balanced with their benefits to ensure that the debtors and inventories are employed profitably.

6.0 Tutor-Marked Assignment

1) Evaluate the need for management of debtors and inventories.
2) Discuss how debtors and inventories can be managed profitably.

7.0 References/Further reading

Adeyi, J.A (2008). Profiting with stocks: Top secrets of making millions from shares, Go-Go International Limited Jos, Nigeria.

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UNIT 14: SHORT AND MEDIUM TERM FINANCING

CONTENTS:

1.0 Introduction

Financing is about making decisions to obtain funds externally. Internally generated funds through debtors, cash sales and investments in money market instruments may prove inadequate. Through cash flow forecasts the requirement for more cash will be identified. This will call for a financing decision. Law level of cash requirement may be easily addressed. Where the amounts are substantial perhaps medium term financing will be adequate. Where analysis reveal glowing need for l projects, long term finance will be contemplated and planned for. Short-term financing decisions consider trade credits; bank credits; invoice financing and money market financing decisions.

Medium term financing decisions are for a longer period than short term credits but shorter than long term financing decisions. There are hybrids which are longer than short but shorter than long term financing decisions.

These are leasing or hired purchase arrangements which belong to the short term and long term finance.

2.0 Objectives

- To be able to identify short-term financing needs.
- To be able to discuss short-term and medium term sources of finance.
- To be able to evaluate and access external credits.

3.0 Main Content

3.1 Financing using Trade Credits

These credits flow from suppliers of goods. Services can be rendered on credit also. This means goods and services consumed are not paid for immediately. These credits are mutually discussed and agreed. It is normal practice to induce early payments by granting discounts. Trade credits are granted on the following considerations:

i. The bargaining power of the supplier dictates the credit terms. Where the supplier has comparative advantage over other suppliers within the industry, his terms will prevail. In the situation were comparative advantage is shared by competitors the supplier hardly imposes his terms.

ii. Industry custom and practice. There is a normal range of credit terms within an industry. Suppliers may not easily go outside this range as doing so may cause them to lose customers.

iii The nature of the product may help to determine the credit terms. Products having high turnover are suitable for credit sales. These considerations should avoid delayed payments. They should help attract customers to purchase goods on credit. When the terms are too stringent customers will withdraw patronage. Uncontrolled credit terms will enlarge patronage but throw the organization into financial difficulties.

Trade creditors result from credit supplies. This is temporary borrowing and a normal way to finance stock or inventory. The whole arrangement depends on prompt settlement in accordance with the terms of credits. Delays may result in instability in business:

- Closing of credit lines will reduce materials and services which may not be readily purchased for cash.
- Suppliers may be unwilling to supply the goods and this may give the business a bad reputation.
- They may raise prices of their supplies.
- A bad reputation can affect the confidence of other suppliers in the organization or customer.

3.2 Financing through Bank Credits

Organizations can obtain short-term and medium term bank credits. They take the form of overdrafts; term loans (with revolving facilities such as overdrafts or term loans). Banks should have stringent conditions that qualify customers for bank credits.

3.3 Invoice Financing

Customers who have sold goods on credit may discover they need immediate cash. They approach discounting and factoring institutions to buy these invoices for cash. Factoring means an organization purchases invoices of a company. Discounting involves purchase of selected invoices without undertaking to collect the said debts. They selling company has the responsibility to arrange for collection of the debts.

3.4 Financing through Money Market

This is a largely known means of raising finance. All organizations use this medium to source short-term finance.

The instruments involved are:

i) Bills of exchange

The parties should be well acquainted with specific trading transactions. The trader draws up a bill undertaking to pay at a future time. The supplier takes this and releases the goods. The bill may be held to maturity or discounted at a discount house.

ii) Acceptance Bill

These are bank bills. The customer draws the bill on the bank. The bank accepts it and the supplier releases the goods to the customer. The bill is sold in the market at a discount and the money is made available to the trader or supplier.

iii) Commercial Paper

Popular companies may advance moneys to large financial institutions such as pension funds, insurance or corporate organizations who may be facing temporary liquidity difficulties. The value at maturity is greater than the amount learnt. The paper can be discounted too.

Self Assessment

What is the difference between bill of exchange and bank bill?

3.5 Leasing and Hire purchase

3.5.1 Hire Purchase:

This arrangement can be for short periods not longer than one year. This is a comfortable zone for small and medium-sized firms (SMEs).

Equipments can be hired, which makes the asset available for use. Hire purchase has an option to purchase or return at the end of the hire purchase agreement. Rather than large outlays of cash installmental payments are made during the hire purchase arrangements.

3.5.2 Leasing

The difference between this and hire purchase is that there is no option to purchase as in hire purchase arrangements. There are operational and capital leases. Rentals are paid installmentally. Capital lease is for a longer than one year but not beyond 5 years.

Self Assessment

Define hire purchase and lease.

4.0 Conclusion

The discussion has revealed sources of financing in the short term and medium term period. These sources are helpful in meeting temporary or short term financing decisions. Trade credits, bank credits through money markets and lease and hire purchase arrangements help to supply cash for the smooth running of the organizations.

5.0 Summary

The unit threw light on short term as well as medium term sources of finance. There are many including trade credits, bank credits, hire purchase, leasing etc. they are convenient and cover a wide spectrum of users especially small and medium-sized businesses.

6.0 Tutor-Marked Assignments

1) Briefly describe the following: Bill of Exchange; Bank bill and Commercial Paper.
2) Discuss Trade and Bank credits.

7.0 References/Further reading

Adeyi, J.A (2008). Profiting with stocks: Top secrets of making millions from shares, Go-Go International Limited Jos, Nigeria.

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UNIT 15: FINANCIAL SERVICES AND LONG TERM FINANCE

CONTENT:

1.0 Introduction

So far we have looked at the importance of finance. The necessity for liquidity and solvency; and the role of investing and financing decisions have been examined in units 12 to 14. The need for liquidity is not only important in the short run or medium term.
The viability and continuity of the organization depends on the capacity to grow. Growth requires investing not for the immediate future but also for the unforeseeable long term period. Investing decisions and financing of capital projects require large amounts of cash. The financial services in this regard are even more strategic than short term and medium term financing and investment decisions.

The issue of liquidity and solvency can be addressed in the long run through long term investments. Poor attention on this limits the prospects of the business. Equally, distress leading to bankruptcy and business failures easily arise due to mismanagement of long term investment. The financial services providers have to give this area as much attention as possible. All instruments relating to long term finance are traded in the capital market.

3.0 Main Content

3.1 Shareholders Funds

Shareholders are investors who have invested their funds in a company through purchase of their shares. They ar e the owners of the business and have full rights in the business. They vote at general meetings, receive dividends when declared. They bear the greatest amount of risk. In liquidation, they are repaid their capital when all other claims have been made.

Preference shares are similar to ordinary shares but they are described as non-equity share holders. They have fixed rates of dividend on profits before ordinary share holders are considered. On return of capital at liquidation, preference share holders are returned their capital before ordinary shareholders. There are different types of preference shares. Some are:

- Convertible cumulative
- Redeemable
- Participating

Preference shares stand between ordinary shares and debt capital. Thus they are described as h ybrids.

Self Assessment
What is the difference between ordinary shares and preference shares?

3.2 Debt Instruments

When loans for a long duration are obtained the lenders are given documents that describe the nature of the debt. There are many sources of debt. The common market for such is the capital markets specifically, the bound market. The various types of debt instruments are:

- Debentures:

  This is a document acknowledging indebtedness. They are usually secured on the issuer's capital assets. A mortgage debenture is a debenture secured by mortgage deed.
  The interest attached is fixed and payable whether profits are made or not. They have priority in payment of interest and capital.
  Some debentures are convertible to ordinary shares or preference shares in accordance with the terms.

- Loan stock/bonds:

While debentures are issued mainly by corporate organizations in Nigeria bonds or development/loan stocks are issued by governments or government institutions. They have the same characteristics as debentures.

Long term debt can be secured or unsecured. They have their obligations. Debt capital is a cheaper source of long term fund than ordinary shares. The interest on debt is tax deductible. However, debt capital needs to be managed well as interest and repayment obligations mean it has borrowed extensively from outsiders. This is risky. Failure to honour repayment terms may lead to liquidation.

Self Assessment

Why is long ter m finance important?

What are the characteristics of debt capital?

3.3 Leasing and Sale-and-Lease back

Leasing involves long term contracts on capital assets such as ships, aircrafts properties. Sale-and-lease back describes a situation where the owner of an asset sells the property to a financial institution and surrenders ownership. The seller arranges to lease the property back for use under the normal lease conditions.

This is convenient where a company has potentials of growth and has capital assets which can be sold and leased so that the benefits of the assets are maintained. Where the capital sold appreciates the new owner enjo ys this benefit. It is expected that the arrangement will result in overall gain for the company.

The need for capital for investment that will sustain and grow the business in the future is the responsibilities of parties. The financial service providers from within or without must be abreast with sources of capital that are appropriate to the strategic financial need of the business.

Self Assessment

What is the difference between leasing and sale-and-lease back?

4.0 Conclusion

The issue of strategic financial decisions is important in sustaining solvency, viability and growth of the organization especially in the future. The implications for using equity or debt or leasing, sale-and-lease back must be weighed. To avoid high gearing is to prevent bankruptcy especially because of the high level of borrowed or external capital. Distress should be avoided.

5.0. Summary

The unit has examined how strategic financing is important for the future prospects of the organization. Dependence on long term sources of capital to finance capital projects has been discussed. There are various types of long term capital with different characteristics, risks and benefits.

6.0 Tutor-Marked Assignment

1. discuss the importance of long term finance
2. Write short notes on ordinary shares, preference shares, debt instruments, lease-and-lease back.

7.0 References/Further reading

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