IMPACT OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY IN THE BANKING SECTOR

Mukhiddin Jumaev
Research Scholar, Othman Yeop Graduate School of Business
University Utara Malaysia
Email: termiziy@yahoo.com

Prof. Dr. Dileep Kumar. M.
Othman Yeop Graduate School of Business,
University Utara Malaysia
E-mail: dileep@uum.edu.my

Jalal R. M. Hanaysha
Research Scholar, Othman Yeop Graduate School of Business,
University Utara Malaysia
E-mail: jalal_marketting@yahoo.com

ABSTRACT
The purpose of this study is to discuss the impact of customer loyalty in banking sector. The customer loyalty in banking has seen a major concern to practitioners due to severe competition and higher customer expectations. Further to that, one way to enhance customer loyalty in banking is by focusing on offering excellent services and meeting the needs of customer. Banks need to have a good understanding of their customer behaviour so that appropriate marketing strategies directed towards relationship building and customer retention can be developed. The objective of this study is to examine the causal relationships of several antecedents of customer loyalty in the context of retail banking in Northern Malaysia. Thus, it will review the marketing literature on the experience of customer loyalty i.e., customer satisfaction, commitment, trust, perceived service quality and perceived value. Next, we present the research framework, methods, measures and findings and conclusion. Finally, the results were discussed in terms of its contribution to the upgrading of banking services and recommendations for future research.

Keywords: Customer satisfaction, customer commitment, customer loyalty, empathy, perceived conflict handling, perceived value, trust.

Paper Type: Research Paper

INTRODUCTION

Oliver (1999) has described loyalty as a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. And “fervently desires to re-buy a product or service and will have no other – pursuing this quest against all odds and at all costs”.

Customer loyalty expresses an intended behavior related to the service or the company. This includes the likelihood of future renewal of service contracts, how likely it is that the customer changes patronage, how likely the customer is to provide positive word-of-mouth, or the likelihood of customers providing voice. If real alternatives exist or switching barriers are low management discovers the organization's inability to satisfy its customers via two feedback mechanisms: exit and voice (Hirschman 1970). Research related to consumer
behavior in the field of service marketing has progressed steadily over the years. Measured by the impact and amount of work done within customer satisfaction research, it is fair to say that the dominant theories are disconfirmation of expectations (Swan 1983); (Oliver and DeSarbo 1988); (Oliver 1980); (Churchill and Suprenant 1982) and cognitive psychology (Weiner 1980; Weiner 1985; Weiner 1985); (Folkes 1988).

Customer loyalty in banking has been a major concern to practitioners due to severe competition and higher customer expectations. Customer loyalty is considered a vital link and aspiration to organizational success, profit and business performance (Oliver, 1997; Reichheld, 1993; Sheth and Parvatiyar, 1995). The consumers that show the greatest levels of loyalty toward the product, or service activity, tend to repurchase more often, and spend more money. Thus, loyal customers do not only increase the value of the business, but also enable business to maintain costs lower than those associated with attracting new customers (Barroso and Martin, 1999). Moreover, loyalty rather than satisfaction is becoming the number one strategic goal in today’s competitive business environment (Oliver, 1999). One of the ways to enhance customer loyalty in banking is by focusing on offering excellent services and meeting the needs of customer.

Banks need to have a good understanding of their customer behaviour so that appropriate marketing strategies directed towards relationship building and customer retention can be developed. As a result, a great deal of research attention has focused on the identification of effective methods of actively enhancing loyalty, including loyalty programs such as point reward schemes. Loyalty programs “create a reluctance to defect” by rewarding the customer for repurchasing from the organization (Duffy, 1998). Hitherto, in recent years, customer loyalty in banking has received increasing attention from academic researchers worldwide (Ball, Coelho & Machas, 2004; Beerli, Martin and Quintana, 2004).

In Malaysia, retail banking has undergone a major restructuring starting in 2001 whereby, from an initial 54 individual retail banks, it has been reduced and merged into 22 commercial banks only (9 domestic and 13 foreign banks) by 2009 (Bank Negara Malaysia, 2009). With this merger and acquisition exercise, commercial banks will need to increase their bank outlook and image to attract more loyal customers. For banks to adequately monitor their customer loyalty programs, bank management need to be knowledgeable of the drivers of customer loyalty in retail banking industry. This is the main impetus of doing this research. Thus, the objective of this study is to examine the causal relationships of several antecedents of customer loyalty in the context of retail banking in Northern Malaysia. This paper is structured as follows. First, we review the marketing literature on the antecedents of customer loyalty: customer satisfaction, commitment, trust, perceived service quality and perceived value. Next, we present the research framework, methods, measures and findings. Finally, the results were discussed in terms of its contribution to the upgrading of banking services and recommendations for future research.

**THEORETICAL UNDERPINNING OF STUDY**

Much of the original work on customer loyalty defines loyalty from behavioural terms (repurchase or purchase frequency), and then later admitted an attitudinal component. Ganesh et al. (2000) found two factors in their loyalty items, active loyalty (word – of mouth and intention to use) and passive loyalty (not switching even under less positive conditions). Other authors have considered loyalty as a process rather than an outcome. Oliver (1997a),
For example, distinguishes among four stages of loyalty, i.e., cognitive, affective, conative, and action loyalty. Clearly, loyalty is a rich concept with many possible definitions. A common approach to distinguish customer loyalty is consumer's attitudinal loyalty and behavioural loyalty (Dick and Basu, 1994; Zeithaml, 2000; Chaudhuri and Holbrook, 2001). Behavioural loyalty is repeated transactions (or percentage of total transactions in the category, or total expenditures in the category) and can sometimes be measured quite simply with observational techniques. Attitudinal loyalty is sometime defined equivalently with relationship commitment (Morgan and Hunt, 1994).

Behavioural loyalty is highly prized, because it means sales. Attitudinal loyalty is also highly prized, because as Oliver, (1997a and 1999) argues, behavioural and attitudinal loyalty are highly intertwined, repeated purchases lead to positive affect which leads to cognitive loyalty, high levels of involvement and intention to continue repurchase. We may consider both affective and cognitive loyalty to be kinds of attitudinal loyalty. Strong attitudinal loyalty makes customers more resistant to attempts by other marketers to steal them away (Gundlach et al., 1995) and more resistant to counter – persuasion and search for alternatives (Dick & Basu, 1994).

Oliver’s (1997) perspective proposes that loyal customers go through four stages. First is a cognitive sense (belief). For example, sales promotion or high quality products of a firm for first purchase consideration attracts a customer. To be loyal, the customer must consistently confirm that his or her expectations about the goods or services are met. Second is the affective sense (favoured attitude) in which consumers are repeatedly satisfied from purchasing decisions. Third is the conative stage that consumers have a behavioural intention – committed deeply to buy. The intention leads to the fourth stage of action. Customers have the desire to overcome obstacles, e.g., attraction of competitors or price increase by a firm, to achieve the actual purchase behaviour (Oliver, 1997).

**Figure 1 - Four-Stage Loyalty Model (Oliver, 1997)**

Cognitive loyalty

Cognitive loyalty is the information based on whether consumers look for costs, benefits, and quality during their purchasing decision process. Consumer may shift to other stores, which can offer better process and benefits. For this study, cost and benefits are translated into perceived value while quality is based on perceived service quality. Affective loyalty – Affective loyalty involves both liking and experience satisfaction. The issue of satisfaction and dissatisfaction has a direct influence on attitude and attitude change. At this stage, consumer loyalty is determined by information relating to the offering, such as price, quality, and so forth. It is the weakest type of loyalty, since it is directed at costs and benefits of an offering and not at the brand itself. Therefore, consumers are likely to switch once they perceive alternative offerings as being superior with respect to the cost-benefit ratio.
(Kalyanaram and Little 1994; Sivakumar and Raj 1997). Cognitive loyalty is influenced largely by the consumer’s evaluative response to an experience, in particular to the perceived performance of an offering relative to price (= value).

**Conative loyalty**

*Conative loyalty* - It is a loyalty state containing commitment to buy. One of the important dimensions is word of mouth, where the consumer not only would re-visit certain store or bank, but would also encourage relatives, friends and colleagues to patronize certain favored banks. At conative stage, customers will not only commit to buying but also come to trust the favoured stores. *Action loyalty* - It is the habit and routinized response behaviour. This loyalty category is particularly protected to competitor’s marketing activities and would not spend time and effort in engaging information search and evaluation. Conative loyalty implies that attitudinal loyalty must be accompanied a particular brand. It is stronger than affective loyalty, but has vulnerabilities as well. Repeated delivery failures are a particularly strong factor in diminishing co native loyalty. Consumers are more likely to try alternative offerings if they experience frequent service failures. Even though the consumer is conatively loyal, he has not developed the resolve to avoid considering alternative offerings (Oliver 1999).

**Affective Loyalty**

Affective loyalty relates to a favourable attitude towards a specific brand. Attitude itself is a function of cognition (e.g. Expectation). Satisfaction is a global affect evaluation or feeling state which can be predicted from perceived performance as the cognitive component of the evaluation (Oliver 1993; Phillips and Baumgartner 2002; Westbrook and Oliver 1991). Expectancy confirmation leads to satisfaction, which in turn effectuates affective loyalty (Bitner 1990). Oliver (1997) defines satisfaction as “the consumer’s fulfilment response, the degree to which the level of fulfilment is pleasant or unpleasant.” Affective loyalty is also subject to deterioration, caused primarily by an increased attractiveness of competitive offerings (Sambandam and Lord 1995) and an enhanced liking for competitive brands. This can be, for instance, conveyed through imagery and association used in competitive communications (Oliver 1999).

**Empathy and Loyalty**

Relationship Marketing Orientation can be viewed as the ability to share, understand and feel another person’s feelings in a relational situation. Thus, Sin et al. (2002) described empathy as dealing with a business relationship that enables two parties to see the situation from the other’s perspective i.e. seeking to understand somebody else’s desires and goals. In the banking sector for instance, the front desk bankers must see themselves in the customer’s shoe and serve them as such in other to keep them satisfied. Earlier studies have shown the relevance of empathy as a dimension of Relationship Marketing Orientation as shown in the work of Berry et al (1990) in designing SERVQUAL. Hwang (1987) in Chinese business relationships where empathy is seen as a sub-component of the Chinese dimension of guanxi in business and social relationships.

Empathy is the ability to see a situation from another person's perspective (Wang, 2007). It is defined as seeking to understand somebody else desires and goals. It involves the ability of
individual parties to view the situation from the other party’s perspective in a truly cognitive sense (Chattananon & Trimetsoontorn, 2009). Empathy has a number of analogous meanings – the golden rule, the ethic of care and an “others” orientation. Empathetic marketers are not insensitive to the needs and concerns of the consumer. Empathy should not be equated with sympathy; marketers can be empathetic while still driving a hard bargain with customers (Murphy et al, 2007). In the personal selling literature, the empathetic abilities of the sales people are a prerequisite for successful selling. In the service marketing literature, the component of empathy is used in developing the SERVQUAL test instrument for service quality. In the networking literature, empathy has been considered as an independent variable in explaining franchisor–franchisee working relationships (Sin et al, 2002).

**Commitment and Loyalty**

Crosby and Taylor (1983) suggest that the tendency to resist changing preference provides the principle evidence of commitment. Beatty et al., (1988) define consumer commitment as the psychological attachment to a service that develops. A customer would be able to determine that their purchase behaviour was derived from a sense of loyalty. A substantial research highlights that commitment is an affective nature (Garbarino & Johnson, 1991; Morgan & Hunt, 1994; Sheth & Parvatiyar, 2002).

Affective commitment reflects a customer’s sense of belonging and involvement with a service provider akin to emotional bonding (Fullerton, 2005), while calculative commitment is the way that the customer is forced to remain loyal against his or her desire (De Ruyter, Wetzels & Bloemer, 1998). In calculative commitment, customer can be committed to a selling organization because they feel that ending the relationship involves an economic to social sacrifice (Fullerton, 2005). However, although affective and continuance commitments are distinct components of commitment, there are not necessary mutually exclusive conditions (Allen & Meyer, 1990).

From an attitudinal aspect, affective commitment involves the desire to maintain a relationship that customer perceives to be of value (Morgan & Hunt, 1994). On the other hand, continuance commitment is the consumer’s desire to remain in the relationship when the switching costs are high or when to consumer perceives that other viable alternatives are scarce.

Luarn and Lin (2003) establish significant relationship between commitment and loyalty. Various studies in the relationship marketing area have shown that these two factors seem to be crucial in influencing one another (Anderson and Narus, 1990; Anderson and Weitz, 1992; Kumar et al., 1995; Morgan and Hunt, 1994; Pritchard, Havitz and Howard 1999; Fullerton, 2003; Evanschitzky et al., 2006). For example, Pritchard, Havitz and Howard (1999) found commitment to be strongly correlated with customer loyalty. Fullerton (2003) reveals that when customer commitment is based on shared values and identification, it has a uniformly positive impact on customer loyalty. Several other studies confirm a significant interaction of affective commitment and continuance commitment on loyalty (Fullerton, 2003; Evanschitzky et al., 2006).
Trust and Loyalty

Liang and Wang (2006) state in this context that trust is “the perceived level of confidence in transaction partners’ reliability and honesty”. Trust is “the belief that a partner’s word or promise is reliable and a party will fulfill his/her obligations in the relationship” (Schurr and Ozanne, 1985). Trust is an important construct in relational exchange because relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationships (Hreinian, 1974). To support this notion, trust has been posited as a major determinant of relationship commitment (Morgan and Hunt, 1994). Furthermore, Moorman et al., (1993) found that trust by marketing research users in their research providers significantly affected user commitment to the research relationship. Creating trust in customer mind set importance for companies because from the previous studies Trust along with commitment is an important antecedent of loyalty (Ball et al., 2004). In order to increase the levels of trust, companies must focus on keeping promises to their customers and consistently carry their best interest at heart (Hocutt, 1998).

Perceived value and Loyalty

There is a multifaceted meanings of value which vary according to different functional context – economics (utility and monetary costs), social science (human values); industrial settings (processes and costs), and marketing (consumers’ perspective on tradeoffs between benefits and sacrifices or costs) (Zeithmal, 1988, Dodds et al., 1991; Roig et al., 2006). Roig et al (2006) approach perceived value from six multidimensional formative construct (GLOVAL scale) and test the study on bank customers. Luarn and Lin (2003) define perceived value from economic perspective which is the customers’ perceived service utility relative to its monetary and non monetary costs.

Prior studies support the general notion that perceived value contributes to customer commitment (Luarn and Lin, 2003; Dodds et al., 1991). For example, Luarn and Lin (2003) have found a significant relationship between perceived value and loyalty as well as perceived value and commitment.

Conflict Handling and Loyalty

In interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her personal goals, needs, or desires and those of the other party. In dealing with conflict, people use different strategies to accomplish their goals. Dwyer et.al (1987) defined conflict handling as the ability of each supplier to avoid any potential conflict, solve that particular conflict before they create problems and the ability to discuss the solutions openly when the problem arises. Conflict handling requires cooperative behaviour from exchange partners. According to Evans & Beltramini (1987), in a negotiation setting, cooperative versus competitive intentions have been found to be linked to satisfactory problem solution. In short, good conflict resolution will result relationship quality positively. Conflict handling is an important relationship builder. Even though it is difficult to service industries especially in banking sector to achieve zero service failure banks put in place effective conflict resolution or problem solving machinery. A major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but maybe minor issues if not handled carefully will result in defection. A more excellent approach, for example proactive in planning and implementation includes,
identifying potential conflict, solving conflict before they manifest, avoiding potential conflict and blocking them. Those efforts could bring the better relationship and loyalty to particular bank or service firm (Ndubisi, 2007). Ndubisi & Wah (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality.

**Customer satisfaction**

Customer satisfaction is defined as a customer’s overall evaluation of the performance of an offering to date (Johnson and Fornell 1991). Historically, satisfaction has been used to explain loyalty as behavioral intentions (e.g., the likelihood of repurchasing and recommending). The impact of satisfaction on loyalty has been the most popular subject of studies. Several studies have revealed that there exists a direct connection between satisfaction and loyalty: satisfied customers become loyal and dissatisfied customers move to another vendor. (Heskett et al. 1993: 165–167).

Customer satisfaction, meanwhile, is defined as an overall positive or negative feeling about the net value of services received from a supplier (Woodruff, 1997). Woodruff (1997) argues that perceived value represents customer cognition of the nature of relational exchanges with their suppliers, and satisfaction reflects customers’ overall feeling derived from the perceived value. On the basis of the behavioral model (Fishbein & Ajzen, 1975), affect is significantly influenced by cognition. There is also empirical evidence that customer-perceived value has a positive effect on customer satisfaction with a supplier (E.W. Anderson & Mittal, 2000; Walter, Thilo, & Helfert, 2002).

**Customer Value**

Customer value is “the fundamental basis for all marketing activity” (Holbrook, 1994, p. 22). And high value is one primary motivation for customer patronage. In this regard, Sirdeshmukh, Singh, and Sabol (2002) argue that customer value is a superordinate goal and customer loyalty is a subordinate goal, as it is a behavioural intention. According to goal and action identity theories, a superordinate goal is likely to regulate subordinate goals. Thus, customer value regulates “behavioural intentions of loyalty toward the service provider as long as such relational exchanges provide superior value” (Sirdeshmukh et al., 2002, p. 21). This study utilizes the four stages loyalty model first developed by Oliver, (1997). The objective is to examine the antecedent of customer loyalty amongst consumers. The theoretical underpinning of the said theory is discussed next. Oliver’s (1997) Four-Stage Loyalty Model (Figure 1) consists of four evolving stages of cognitive loyalty, affective loyalty, cognitive loyalty, and action loyalty. The first three stages (cognitive loyalty, affective loyalty, and conative loyalty) are attitudinal loyalties and action loyalty is behavioural loyalty.

**OBJECTIVES**

The objective of this study is to examine the causal relationships of several antecedents of customer loyalty in the context of retail banking in Northern Malaysia, the criteria to measure customer loyalty has to establish to provide the outcome measures for the hypotheses.

To analyse relationship between empathy and customer loyalty.
To analyse positive relationship between commitment and customer loyalty.
To analyse positive relationship between trust and customer loyalty.
To analyse relationship between value and customer loyalty.
To analyse relationship between conflict handling and customer loyalty.
To analyse the influence of relationship marketing on customer loyalty.

**HYPOTHESIS**

H1: There may have relationship between empathy and customer loyalty.
H2: There may have significant positive relationship between commitment and customer loyalty.
H3: There may have significant positive relationship between trust and customer loyalty.
H4: There may have significant positive relationship between value and customer loyalty.
H5: There may have significant positive relationship between conflict handling and customer loyalty.
H6: Relationship marketing may have high influence on customer loyalty

**THEORETICAL FRAMEWORK**

This research formulates the antecedents of customer loyalty as shown in Figure 2. In the research framework, it shows that empathy; perceived conflict handling, trust, perceived value and commitment are direct predictors of customer loyalty.

**Figure 2 - Research Framework**

### RESEARCH DESIGN AND DATA COLLECTION

This particular study concentrates on ‘Impact of relationship marketing on customer loyalty’ in the banking sector and is a form of fact finding research. Hence the study follows descriptive study design as its plan of action. A total of 100 university lecturers and students who are patronizing different commercial banks were requested to complete a questionnaire that contained measures of the constructs of concern. The respondents are staying in the Penang, Kedah, and Perlis region in Malaysia. Those who are having saving and current accounts in 5 major banks were considered for the study. Only male members are considered further for data collection. The study used simple random method as its sampling method, to arrive at representative sample size.
Tool administration
The tools were distributed to the respondents in their workplace and responses were gathered. The questionnaire designed for this research was formulated as open ended and closed-ended questions which were normally structured for respondents to select their choices of statement from a list of questions presented to them. Study used likert scale by five-point scales described at either end by “strongly disagree” to “strongly agree” was used. In the first part, the respondent’s demographic profiles were asked such as gender, age, race, religion and occupation. The second part consists of 30 items. The entire items were based on the dimension of the relationship marketing underpinnings. This part was divided in five (5) dimensions.
The first dimension “trust” consists of six questions which were adopted from Ndubisi (2005).
The second dimensions which consists of four (4) questions that measure “commitment” were adopted also from Ndubisi (2005).
The third dimensions that measure “conflict handling” contained five (5) questions which were adopted Ndubisi (2005) and Naceur & Azaddin (2005).
The fourth dimensions which is “value” questions was contained five (5) questions which were adopted from Naceur & Azaddin (2005).
The fifth dimensions, “empathy” questions was contained five (5) questions which were adopted from Husyein et al (2005).
“Customer Loyalty” dimensions” contained five (5) questions which were adopted Ndubisi (2005) and Naceur & Azaddin (2005) and Beerli et al (2004).

Reliability Test
Reliability test was conducted on the dependent and independent variables, internationalisation factors and entrepreneurial orientation. The Cronbach’s alpha values of the study variables are shown in table. As revealed, the reliability coefficient of the study variables exceeded the minimum acceptable level of 0.60 (Nunnally, 1978). As a result, Cronbach’s alpha for the variables ranges from 0.781 to 0.866 and considered for the study. From Table 1 shown that Cronbach’s Alpha 0.793 hence we can say the reliability of the questionnaire is at moderately good level.

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach Alpha Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.793</td>
<td>.793</td>
<td>30</td>
</tr>
</tbody>
</table>

Analysis and Results
Appropriate measures were identified based on empirical researchers to test the hypothesized relationship. Quantitative data obtained and the data gathered were being treated by using the statistical software program namely Statistical Package for Social Research (SPSS) version 14.0 for analysis and summarization purposes. Several techniques of analysis were used including ANOVA test, Correlation, and Multiple Regression.
Correlation analysis

Correlation analysis is used when independent variables are correlated with one another and with the dependent variable.

Hypotheses 1: There may have significant positive relationship between empathy and customer loyalty.

Since both variables are interval, Pearson Correlation test was conducted and the results are shown in Table 2. There is a significant negative correlation between Empathy dimension and customers’ loyalty with a significant value at 0.000 lower than 0.05. Hence we reject the Hypothesis1. In other words empathy dimension and customers’ loyalty are related with a strong relationship (r = 0.826**).

Table - 2: Correlation between Empathy Dimensions and Customers’ Loyalty

<table>
<thead>
<tr>
<th></th>
<th>Empathy</th>
<th>Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empathy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson</td>
<td>1</td>
<td>.826(**</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>N</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Loyalty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson</td>
<td>-.826(**</td>
<td>1</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

Hypotheses 2: There may have significant positive relationship between commitment and customer loyalty.

Since both variables are interval, Pearson Correlation test was conducted and the results are shown in Table 2. There is a significant positive correlation between trust dimension and customers’ loyalty with a significant value of 0.000 lower than 0.05. Hence we accept the Hypothesis2. In other words commitment dimension and customers’ loyalty are related with high relationship (r = 0.650**).

Table 3 - Correlation between Commitment Dimensions and Customers’ Loyalty

<table>
<thead>
<tr>
<th></th>
<th>Commitment</th>
<th>Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson</td>
<td>1</td>
<td>.650(**</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>N</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Loyalty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson</td>
<td>.650(**</td>
<td>1</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
Hypotheses 3: There may have significant positive relationship between trust and customer loyalty.

Since both variables are interval, Pearson Correlation test was conducted and the results are shown in Table 3. There is a significant negative correlation between trust dimension and customers’ loyalty with a significant value of 0.000 lower than 0.05. Hence we reject the Hypothesis3. In other words trust dimension and customers’ loyalty are related with moderate relationship (r = 0.554**).

Table 4 - Correlation between Trust Dimensions and Customers’ Loyalty

<table>
<thead>
<tr>
<th></th>
<th>Trust</th>
<th>Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>Pearson</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>.554(**)</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>100</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Pearson</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>.554(**)</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>100</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

Hypotheses 4: There may have significant positive relationship between value and customer loyalty.

Since both variables are interval, Pearson Correlation test was conducted and the results are shown in Table 4. There is a significant negative correlation between perceived value dimension and customers’ loyalty with a significant value of 0.000 lower than 0.05. Hence we reject the Hypothesis4. In other words perceived value dimension and customers’ loyalty are related with strong relationship (r = 0.820**)

Table 5 - Correlation between Perceived Value Dimensions and Customers’ Loyalty

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>Pearson</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>.820(**)</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>100</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Pearson</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>.820(**)</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>100</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

Hypotheses 5: There may have significant positive relationship between conflict handling and customer loyalty.

Table 6 - Correlation between Conflict Handling Dimensions and Customers’ Loyalty
Since both variables are interval, Pearson Correlation test was conducted and the results are shown in Table 5. There is significant positive correlation between conflict handling dimension and customers’ loyalty at 0.000 lower than 0.005. Hence we accept the Hypothesis. In other words conflict handling dimension and customers’ loyalty are related with moderate relationship ($r = 0.661^{**}$).

**Correlation is significant at the 0.01 level (2-tailed).**

### Table 6 - Regression

<table>
<thead>
<tr>
<th>Dependent Variable Customer Loyalty</th>
<th>Independent Variable: Green Marketing</th>
<th>Adjusted $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Empathy ($V_1$)</td>
<td>Commitment ($V_2$)</td>
</tr>
<tr>
<td>Customer Loyalty (F1)</td>
<td>0.079*</td>
<td>0.669*</td>
</tr>
</tbody>
</table>

The major hypothesis stated in this paper was “the relationship marketing may have high influence on customer loyalty.” Regression analysis (table no. 6) was used for examining whether each relationship marketing dimension is affected by customer loyalty. Regression model is significant at the 0.01 level. Thus the finding is in line with the second hypothesis stated in the paper that the relationship marketing may have high influence on customer loyalty. Thus the major hypothesis stated is well accepted.

### Table 7 - ANOVA Test

One Way ANOVA between Gender, Age, Race, Education, Occupation and Income with Customers’ Loyalty

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>2.678</td>
<td>2</td>
<td>1.339</td>
<td>7.118</td>
<td>.001</td>
</tr>
<tr>
<td>Age</td>
<td>.892</td>
<td>2</td>
<td>.446</td>
<td>1.610</td>
<td>.000</td>
</tr>
<tr>
<td>Race</td>
<td>29.368</td>
<td>2</td>
<td>14.684</td>
<td>16.189</td>
<td>.211</td>
</tr>
<tr>
<td>Education</td>
<td>8.501</td>
<td>2</td>
<td>4.251</td>
<td>9.114</td>
<td>.000</td>
</tr>
<tr>
<td>Occupation</td>
<td>.023</td>
<td>2</td>
<td>.012</td>
<td>.148</td>
<td>.862</td>
</tr>
<tr>
<td>Income</td>
<td>.465</td>
<td>2</td>
<td>.233</td>
<td>.594</td>
<td>.003</td>
</tr>
</tbody>
</table>

The table (table 7) above clearly indicates that there is significant variation in findings related to gender, age and education. From the means of gender it is observed that the males are
having high customer loyalty than females. Among age group, the members in the young group having high mean score towards customer loyalty compared to other groups. Further those who are having high education having high customer loyalty mean score compared to other groups. The findings related to customer loyalty further shows that customers having varied income significantly different in loyalty in banking sector. Members having high incomes show high brand loyalty than members with low income. The rest of the dimensions like, race, and occupation show insignificant finding in this research.

DISCUSSION

This particular study was oriented on the effect of relationship marketing on customer loyalty. The study well establishes that the relationship marketing is having high influence on the customer loyalty. Loyalty is a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future and it is influence by many relationship marketing variables like, empathy, trust, commitment, values and way of conflict negotiation. The research proves that customer loyalty is an important element of banking success in today’s increasingly competitive environment. Consumer loyalty is seen as the key factor in winning market share and developing a sustainable competitive advantage. Banking industry is no exception as it has high interaction with the customers, so managers must understand the factors which influence the loyalty of the customers towards their respective banks.

Banking has traditionally operated in a relatively stable environment for decades. However, today the industry is facing a dramatically aggressive competition in a new deregulated environment. More banks are present in the business arena from both public and private sector. Customers are getting better choice in banking operation with enhanced facilities. Most important behaviour customers expect in banking transaction is the empathetic attitude. This indicate, understand the customers problem and making provision of good banking solutions with less time. Sin et al. (2002) in this context rightly described that empathy as dealing with a business relationship that enables two parties to see the situation from the other’s perspective i.e. seeking to understand somebody else’s desires and goals. In the banking sector for instance, the front desk bankers must see themselves in the customer's shoe and serve them as such in other to keep them satisfied. The present finding support importance of relationship marketing variable empathy in handling customers and enhance customer loyalty.

In relationship marketing the firm is trying to achieve profitability through the decrease of customer turnover and the strengthening of customer relationships. Commitment is another important determinant of the strength of a marketing relationship. The bank officer’s commitment in making provision of banking facilities considering the varied needs of customer is one among the major factor which influences the consumer’s attitude towards banks. This required a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial to both customers and bank. Various studies in the relationship marketing area have shown that these two factors seem to be crucial in influencing one another (Anderson and Narus, 1990; Anderson and Weitz, 1992; Kumar et al., 1995; Morgan and Hunt, 1994; Pritchard, Havitz and Howard 1999; Fullerton, 2003; Evanschitzky et al., 2006). The present research finding support the fact that commitment is a significant factor which influences the customer loyalty of the customers of banks. Banks need to recognise the potency of service commitment in keeping loyal customer.
Trust is a psychosocial phenomenon. Liang and Wang (2006) states in this context, that trust is “the perceived level of confidence in transaction partners’ reliability and honesty”. It penetrates to such a level in cognition that generates impressions and faith. When customers interact with an employee, their trust is created by their perceptions of that interaction. How far the banks in business develop trust among the customer is having high influence on customer’s preference and loyalty on specific bank. Trust develops more affective loyalty among customer on firms. The importance of trust in explaining loyalty is supported by numerous of authors (Morgan and Hunt, 1994; Auh, 2005; Ball, 2004). The sensitive nature of the financial transactions always invites trust as the major component between two parties. Customer trust towards the bank is more based on how the bank operates clearly and induces the element of trust in the sensitive transactions. In order to increase the levels of trust, companies must focus on keeping promises to their customers and consistently carry their best interest at heart (Hocutt, 1998). The present research finding is tune with the past researches and it supports the influence of trust on banking institution in financial transactions.

The present research also established significant correlation between perceived value dimensions of customer’s with customer loyalty. Customer perceived value is defined as “the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given” (Zeithaml, 1988, p. 14). It is observed that now days more and more banking institutions are focused on firm’s decision on a value proposition – on how it will create differentiated value for targeted segments and what position it wants to occupy in those segments. Since a bank consists of customers from different segments the institution needs to cater the varied requirement of customers with utmost care and value service. Choice of any customer in this context depends on his/her perceived value on the quality of services provided. Perceived value on the services in bank thus establishes appropriate positioning in the minds of the targeted consumers in comparison to competitors. Switching over from one bank to another is the decision based on the perceived value of the customers on the services they extended to the customers.

The study also observed clear findings in relation to customer loyalty in relation to conflict handling situations in banking. The findings indicates that higher the effort a bank extend towards conflict handling situations banking and making provision of feel good factor towards the banking customers, higher the loyalty the customers feel towards the concerned bank. In this contest it is rightly pointed out that a major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but maybe minor issues if not handled carefully will result in defection. A more excellent approach, for example proactive in planning and implementation includes, identifying potential conflict, solving conflict before they manifest, avoiding potential conflict and blocking them. Those efforts could bring the better relationship and loyalty to particular bank or service film (Ndubisi, 2007). Those banking firms which provide better affective feeling towards the customers and very much committed to extend better satisfaction among customers in banking transaction generate better loyalty among customers.

**IMPLICATIONS**

The present research provides better understanding on factors influencing customer loyalty in banking sector. The factors which related to customer loyalty like trust, commitment, empathy, perceived value and conflict handling have better influence on the customer’s
choice as well preferred bank. It is expected that the bank mangers and banking staff should have such attitude towards customers in order to maintain better customer relations. Loyalty is the by product of cognitive, conative and affective components of behaviour. Customer’s intelligence, attitude and behavioural components significantly influence their choice towards a bank in banking transactions. The banking firms should induce better feelings among customers to maintain their preference towards the bank. It is suggested in this context that the banking firms strategically should dedicated to understand the customer’s needs and give them better feelings through service quality. The banks should think about what can be done for them might enhance preference over other banks. Customer loyalty becomes paramount to being competitive in the marketplace.

LIMITATION OF THE RESEARCH

The limitations of the study are mainly two kinds. The first refers to small sample with focusing only on students and faculty members as young consumers group in particular. The second limitation is that scales of relational values which were drawn from the past literature and has not been validated empirically. However, the goal was to stimulate research interest by confirming the perceived value as multi dimensional in nature rather than only looking at overall perceived value.

RECOMMENDATION FOR FUTURE RESEARCH

It is recommended to the banks to resolve conflict in a manner that will eliminate unimportant loss and inconveniency to customers. This will build the customers’ loyalty that will benefit banks in gaining the competitive advantage in an increasing competition in the banking sector. Banks need to fulfil highly demanding customers because they will continue use the bank the services is satisfied. This study recommends that banks need to put more attention to attract customers in terms of commitment, empathy and value. To be strong connection between bank and customer is also necessary for bank to maintaining a good business relationship such as organizing festive celebration, potential customer’s celebration and others. It is also important for bank to stress in the recruitment policies especially for those are bringing the front image of bank because they are represented on behalf of bank. In this study, it also suggested that for future research can go for larger sample and compare two different samples of young generation and older generation consumers in evaluating the values of retail banks.

CONCLUSION

This particular research was conducted to analyze the effect of relationship marketing on customer loyalty. The study clearly indicates the influence of independent variable on dependent variable. The foregoing statement about what drives loyalty should be understood with the provision that loyalty is not entirely divorced from satisfaction (Mittal & Lassar, 1998). The disloyalty or loyalty groups contrasted are from a subpopulation that is already satisfied. In separating disloyal versus loyal customers, therefore, managers have to ask what drives loyalty beyond satisfaction. In addition to measuring satisfaction, managers must also measure customer intention to patronize the organization in the future (Mittal & Lassar, 1998). From the tests and findings all predictors including Commitment, Trust, Empathy, Perceived Conflict Handling, Perceive value have positive correlation to Customer's loyalty. It is important for manager to remember that customers benchmark not just from what similar service companies are doing, but what the best service providers in general are doing. Loyalty
is built through a positive differentiation that is usually achieved by providing superior customer service. This study is still open to be developed using other predictors such as gender, ethnicity, services related products offered by banks or using other test tools such as different test. This study could be generalized with the students and faculty members of various universities in the Northern part of Malaysia.

REFERENCES


