



**UNIVERSITI PUTRA MALAYSIA**

**THE IMPACT OF PERSONAL, SOCIOLOGICAL  
AND INSTITUTIONAL INFLUENCES ON RELATIONSHIP  
COMMITMENT IN THE RETAIL BANKING SECTOR**

**CHE ANIZA BT CHE WEL**

**GSM 2001 9**



**THE IMPACT OF PERSONAL, SOCIOLOGICAL AND  
INSTITUTIONAL INFLUENCES ON RELATIONSHIP  
COMMITMENT IN THE RETAIL BANKING SECTOR**

**BY  
CHE ANIZA BT CHE WEL**

**Thesis Submitted in Fulfillment of the Requirement for the  
Degree of Master of Science in the Graduate School of Management  
Universiti Putra Malaysia**

**May 2001**



**THIS RESEARCH IS DEDICATED TO  
MY HUSBAND, AIMAN, AND MUM.**



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the degree of Master of Science.

**THE IMPACT OF PERSONAL, SOCIOLOGICAL, AND INSTITUTIONAL  
INFLUENCES ON RELATIONSHIP COMMITMENT IN THE RETAIL  
BANKING SECTOR**

By

**CHE ANIZA BT CHE WEL**

**May 2001**

**Chairman : Dr. Jamil Bojei**

**Faculty : Graduate School of Management**

Most previous research in the domain of relationship marketing has focused on the antecedents of loyalty and commitment in the industrial market, distribution channel or consumer goods. This study however, models the antecedents of consumer's relationship commitment in the context of a retail banking service.

The success and survival of a commercial bank depends on its bankers ability to understand customers' needs and find effective ways to satisfy them. Having recognized that retail customers are the potential market niche, it is essential for bankers to obtain information concerning their patronage factors towards specific financial institutions.



The impact of four key explanatory variables (personal influence, sociological influence, institutional influence, and trust) on relationship commitment are examined. Self-administered questionnaires were used to obtain primary data from respondents consisted of bank consumer occupying the selected dwelling unit in Kuala Lumpur and Petaling Jaya. A final sample of 578, which was obtained from the both areas, was an acceptable representation of the population. The data was tested using (i) Multiple Regression Analysis (ii) Pearson Correlation Analysis, (iii) Path Analysis.

The result shows that sociological influences and trust have the most significant direct impact on relationship commitment. Institutional influences give a great impact on personal and sociological influences but it give a small impact on relationship commitment. This result is consistent with the views of Anderson et. al (1976) and Tan and Chua (1986) that the consumer decision to choose their bank are greatly impacted by the sociological factors. The same study conducted in Malaysia by Haron and Ahmad (1992) however found that social factors are the least influential factors if compared to others.

In spite of these inconsistencies, the current studies have comes out with a new conceptual model (Model of Determinant of Relationship Commitment) which indicate that Sociological and Personal Influence, as well as Trust are the determinant of relationship commitment in retail banking industry.

However, it needs to be noted that the multiple regression analysis results only shows that the four hypothesized variables investigated (personal influence, sociological influence, institutional influence, and trust), only represents 25.5 per cent of the consumer relationship commitment towards their bank.

In short, the bankers who seek success must become more and more oriented to understanding consumer behavior in the financial marketplace. Causal factors operative in consumer bank selection and patronization must be identified to optimize bank marketing strategies. The bankers must adopt a more aggressive stance, become more knowledgeable, acquire more skills and be totally committed to nurturing high quality relationship with the consumer.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Master Sains.

**PENGARUH PERIBADI, SOSIOLOGI, DAN INSTITUSI TERHADAP  
KOMITMEN PERHUBUNGAN DALAM  
SEKTOR PERBANKAN RUNCIT**

Oleh

**CHE ANIZA BT CHE WEL**

**Mei 2001**

**Pengurus** : **Dr. Jamil Bojei**

**Fakulti** : **Pusat Pengajian Siswazah Pengurusan**

Kebanyakan kajiselidik yang lalu dalam bidang perhubungan pemasaran lebih memfokuskan kepada penentu kesetiaan dan komitmen dalam pasaran industri, saluran pengagihan atau barangan pengguna. Kajian ini walau bagaimanapun, meletakkan penentu kepada komitmen perhubungan pelanggan dalam konteks servis perbankan runcit.

Kejayaan dan kelangsungan sesebuah bank perdagangan bergantung kepada kemampuan mereka untuk memahami kehendak pelanggan dan mencari jalan yang efektif untuk memenuhinya. Setelah mengenal pasti bahawa pelanggan runcit adalah ceruk pasaran yang berpotensi, adalah penting bagi bank untuk mendapatkan maklumat berkaitan dengan faktor pemilihan pelanggan terhadap sesebuah institusi kewangan.



Kesan empat pembolehubah yang penting (pengaruh peribadi, sosiologi, institusi dan kepercayaan) terhadap komitmen perhubungan diselidik. Soal selidik persendirian telah digunakan untuk mengumpul data/maklumat primer dari responden yang terdiri dari pelanggan bank yang menetap di kawasan perumahan di Kuala Lumpur dan Petaling Jaya. Sampel berjumlah 578, yang diperolehi dari kedua-dua kawasan, dianggap memadai dari segi keperwakilan populasi. Maklumat ini diuji melalui (i) Analisis Regresi, (ii) Analisis Corelasi Pearson dan (iii) Analisis Path.

Keputusan kajian menunjukkan pengaruh sosiologi dan kepercayaan memberikan kesan langsung yang terpenting terhadap komitmen perhubungan. Pengaruh institusi memberikan kesan yang besar terhadap pengaruh peribadi dan sosiologi tetapi ia memberikan kesan yang kecil terhadap komitmen perhubungan. Keputusan kajian ini adalah konsisten dengan pendapat Anderson et. al (1976); Tan dan Chua (1986) bahawa keputusan pelanggan untuk memilih bank adalah amat dipengaruhi oleh faktor sosiologi. Kajian sama yang telah dijalankan di Malaysia oleh Haron dan Ahmad (1992) walau bagaimanapun mendapati bahawa pengaruh sosial adalah faktor yang memberikan kesan yang paling kecil jika dibandingkan dengan faktor lain.

Disebalik ketidakseragaman ini, kajian ini telah memberikan satu model konsep yang baru (Model penentu kepada komitmen perhubungan) yang menyatakan bahawa pengaruh sosiologi dan peribadi, dan kepercayaan adalah penentu kepada komitmen perhubungan dalam industri perbankan runcit.



Walaupun bagaimanapun, haruslah diingat bahawa keputusan analisis regresi menunjukkan bahawa empat faktor pengaruh yang dikaji (pengaruh peribadi, sosiologi, institusi, dan kepercayaan), hanya menyumbang 25.5 peratus daripada komitmen perhubungan pelanggan terhadap bank mereka.

Secara ringkas, pihak bank yang memburu kejayaan haruslah lebih berorientasi kepada memahami gelagat pengguna dalam pasaran kewangan. Faktor penyebab kepada pemilihan dan penggunaan bank oleh pelanggan haruslah dikenalpasti untuk mengoptimalkan strategi pemasaran bank. Pihak bank haruslah mengambil langkah yang agresif, menjadi lebih berpengetahuan, mencari lebih kepakaran dan haruslah komited sepenuhnya untuk mewujudkan perhubungan yang berkualiti tinggi dengan pelanggan.

## ACKNOWLEDGEMENT

*"In the name of Allah, the Merciful, the beneficent"*

Praise to Allah for giving me courage, time, and knowledge in completing this thesis. It would have been impossible without assistance and guidance from my supervisors through their comments and suggestions, my special thanks to Dr. Jamil Bojei, Dr. Iskandar Abdullah and Dr. Rosli Salleh for their invaluable advice, guidance, and encouragement throughout my thesis writing.

I owe special thanks to Malaysian Graduate School of Management (MGSM), for supporting and financing this thesis and my studies in MGSM, Universiti Putra Malaysia. My heartfelt thanks to Prof. Dr. Zabid Abdul Rashid, Dean of MGSM for all the support and insightful comments.

I am deeply grateful to my beloved husband and mother, whose love made this thesis possible and to my late father who gives me this strength. My overriding debt is to my respective families, and friends (Kak Yati, Tina, Roch and others), who provided me with time, support, and inspiration needed to prepare this thesis. Above all I pray that this thesis will be benefited to those who are interested on the study.




I certify that an Examination Committee met on 18<sup>th</sup> May 2001 to conduct the final examination of Graduate Student on her Degree of Master of Science thesis entitled "The Impact of Personal, Sociological and Institutional Influences on Relationship Commitment in the Retail Banking Sector" in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

Raduan Che Rose. Ph.D.  
Malaysian Graduate School of Management  
Universiti Putra Malaysia  
(Chairman)

Jamil Bojei, Ph.D.  
Lecturer  
Faculty of Economics and Management  
Universiti Putra Malaysia  
(Member)

Iskandar Abdullah, Ph.D.  
Lecturer  
Faculty of Economics and Management  
Universiti Putra Malaysia  
(Member)

Rosli Salleh, Ph.D.  
Lecturer  
Faculty of Agriculture  
Universiti Putra Malaysia  
(Member)

  
\_\_\_\_\_  
Arfan Salleh, Ph.D  
Assoc. Professor/Deputy Dean  
Graduate School of Management  
Universiti Putra Malaysia

Date:

The thesis submitted to the Senate of Universiti Putra Malaysia has been accepted as fulfillment of the requirement for the degree of Master of Science.



---

Zainal Abidin Kidam  
Assoc.Professor/ Dean  
Graduate School of Management  
Universiti Putra Malaysia

Date:

## **DECLARATION**

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledge. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.



---

Che Aniza binti Che Wel

Date: 20 June 2001

## TABLES OF CONTENTS

	Page
DEDICATION	ii
ABSTRACT	iii
ABSTRAK	vi
ACKNOWLEDGEMENT	ix
APPROVAL	x
DECLARATION	xii
LIST OF TABLES	xvii
LIST OF FIGURES	xix
CHAPTER	
1	RESEARCH OVER VIEW 1.1
1.0	Introduction 1.1
1.1	Background of Study 1.1
1.2	Malaysian Banking System 1.4
1.3	Problem Statement 1.7
1.4	Research Objectives 1.11
1.4.1	General Objectives 1.11
1.4.2	Specific Objectives 1.12
1.5	Hypothesis of the Study 1.13
1.6	The Importance of the Study 1.14
1.7	Scope of the Study 1.15
1.8	Organization of the Thesis 1.17
2	CONSUMER BANKING INDUSTRY
	IN PERSPECTIVES 2.1
2.0	Introduction 2.1
2.1	Overview of Banking System 2.1
2.1.1	Bank Negara Malaysia 2.1
2.1.2	Commercial Bank 2.2



2.1.3	Finance Company	2.3
2.1.4	Merchant Bank	2.4
2.1.5	Discount Houses	2.5
2.2	What is Bank Customer	2.5
2.3	Bankers and Consumer Relationship	2.6
2.4	A Care for Customer	2.9
2.5	Retail Banking in the 21 <sup>st</sup> Century	2.10
2.6	The Awakening of Consumer Banking	2.13
2.6.1	Product and Services	2.14
2.6.2	Product Promotion	2.16
2.6.3	Logistics and Distribution	2.17
2.7	Conclusion	2.20
3	REVIEW OF LITERATURE	3.1
3.0	Introduction	3.1
3.1	Relationship Marketing Defined	3.1
3.2	The Evolution of Relationship Marketing	3.3
3.3	The Nature of Relationship Marketing	3.6
3.4	Multiple Levels of Relationship Marketing	3.8
3.5	Benefits of Relationship Marketing	3.10
3.5.1	Increased Profit	3.10
3.5.2	Word-of-Mouth Communication	3.11
3.6	Relationship Marketing in Perspectives	3.12
3.7	Personal Motivation to Engage in Relational Market Behavior	3.16
3.7.1	Consumer Learning Theories and Relational Market Behavior	3.16
3.7.2	Information Processing, Memory and Relational Market Behavior	3.19
3.7.3	Perceived Risk and Relational Market Behavior	3.20

3.7.4	Cognitive Consistency and Relational Market Behavior	3.22
3.8	The Sociological Reasons for Engaging in Relational Market Behavior	3.24
3.8.1	The Influence of Family and Social Groups	3.24
3.8.2	The Influence of Reference Group and Word-of-Mouth Communication	3.26
3.9	Institutional Reasons for Engaging in Relational Market Behavior	3.30
3.9.1	The Influence of Government	3.30
3.9.2	Religion and Relational Market Behavior	3.32
3.9.3	Employers' Influence	3.33
3.9.4	Marketers Influence and Relational Market Behavior	3.35
3.10	Trust	3.37
3.10.1	The Meaning of Trust	3.37
3.10.2	The Role of Trust in Relationship	3.42
3.10.3	Previous Research on Trust	3.43
3.11	Relationship Commitment	3.45
3.11.1	The Meaning of Relationship Commitment	3.45
3.11.2	Previous Research on Relationship Commitment	3.49
3.12	Consumer Bank Selection Decision	3.53
3.13	Conclusion/ Rationale of Study	3.57
4	PROPOSED CONCEPTUAL FRAMEWORK	4.1
4.0	Introduction	4.1
4.1	The Proposed Conceptual Model	4.1
4.2	Mediating Variables	4.4
4.3	Personal and Sociological Influences	4.4



4.4	Institutional Influences	4.5
4.5	Conclusion	4.7
5	METHODOLOGY	5.1
5.0	Introduction	5.1
5.1	The Objectives of Methodology Section	5.1
5.2	Research Design	5.2
5.3	Data Collection Method	5.7
5.3.1	Quantitative versus Qualitative Research	5.7
5.3.2	Primary and Secondary Data	5.9
5.3.2.1	Secondary Data	5.9
5.3.2.2	Primary Data - Survey	5.10
5.4	Data Collection Method for the Study	
	~ Self-Administered Questionnaire	5.11
5.5	Research Instruments, Measurement and Scaling	5.12
5.5.1	Research Instruments	5.12
	Section A: General Information	5.13
	Section B: Personal Influence	5.13
	Section C: Sociological Influence	5.14
	Section D: Institutional Influence	5.14
	Section E: Relationship Commitment	5.15
	Section F: Trust	5.15
	Section G: Respondents' Profile	5.16
5.5.2	Scaling Design	5.16
5.6	Pre-testing of Questionnaires	5.17
5.7	Sampling	5.18
5.7.1	Sample Size	5.18
5.7.2	Sampling Frame	5.19
5.7.3	Sampling Method	5.20
5.7.4	Sampling Plan	5.22
5.7.5	Select the Sample	5.23

5.8	Data Processing and Analysis	5.23
5.8.1	Data Processing	5.23
5.8.2	Data Analysis	5.23
	5.8.2.1 Descriptive Analysis	5.24
	5.8.2.2 Inferential Analysis	5.24
	i. Multiple Regression Analysis	5.24
	ii. Correlation Analysis	5.25
	iii. Path Analysis	5.27
5.9	Conclusion	5.29
6	ANALYSIS AND FINDINGS	6.1
6.0	Introduction	6.1
6.1	Descriptive Analysis	6.2
	6.1.1 Respondents Profile	6.2
	6.1.2 Most Widely Used Bank	6.4
	6.1.3 Frequently Used Services	6.5
	6.1.4 Internal Reliability Test	6.7
	6.1.5 Personal Influence	6.8
	6.1.6 Sociological Influence	6.14
	6.1.7 Institutional Influence	6.18
	6.1.8 Relationship Commitment	6.22
	6.1.9 Trust	6.25
6.2	Inferential Analysis	6.27
	6.2.1 Multiple Regression Analysis	6.28
	6.2.1.1 The Determinants of Relationship Commitment (1 <sup>st</sup> Equation)	6.29
	6.2.1.2 The Determinants of Relationship Commitment (2 <sup>nd</sup> Equation)	6.32
	6.2.2 Path Analysis	6.34
	6.2.3 Pearson's Correlation Analysis	6.41
6.3	Conclusion	6.44

7	<b>DISCUSSION AND MANAGERIAL IMPLICATIONS</b>	7 1
7.0	Introduction	7.1
7.1	Summary of Major Findings	7.1
7.1.1	Respondents Profile and Most Widely Used Bank	7.1
7.1.2	Products/ services Used by Respondents	7 2
7.1.3	Personal, Sociological, and Institutional Influences	7 3
7.1.3.1	Personal Influences	7 3
7.1.3.2	Sociological Influences	7 4
7.1.3.3	Institutional Influences	7 5
7.1.4	Trust	7 9
7.1.5	Relationship Commitment	7 10
7.2	Implications of Study	7 11
7.2.1	Theoretical Implications	7 11
7.2.2	Managerial Implications	7.13
7.3	Limitations of the Study	7 16
7.4	Recommendations for Future Research	7 17
7.5	Conclusion	7 19
	<b>REFERENCES</b>	R.1
	<b>APPENDICES</b>	A 1
	Appendix A: Research Questionnaires	A 1
	Appendix B: Reliability Test	A 7
	Appendix C: Multiple Regression Results	A 12
	Appendix D: Multiple Regression Results for Path Analysis	A 14
	Appendix E: Pearson's Correlation Results	A 18
	<b>BIODATA OF THE AUTHOR</b>	B.1



## LIST OF TABLES

	Page
Table 3.1 Three Levels of Relationship Marketing	3.8
Table 3.2 Maximizing Number of Customers	3.11
Table 5.1 Classifications of Research Design	5.3
Table 5. Characteristics of Quantitative and Qualitative Research	5.8
Table 5.3 Strengths of Quantitative and Qualitative Research	5.
Table 5.4 Strengths of the Four Survey Methods	5.11
Table 5. Typical Sample Sizes on Studies of Human and Institutional Populations	5.19
Table 5.6 Number of Housing Estates or Sections to be Selected in Each Area	5.21
Table 5.7 Results of Sampling	5.22
Table 5.8 Rules of Thumb About Correlation Coefficient	5.26
Table 6.1 Respondents' Profile	6.3
Table 6.2 Most Widely Used Bank	6.5
Table 6.3 Frequently Used Services	6.6
Table 6.4 Personal Influences	6.11
Table 6.5 Sociological Influences	6.14
Table 6.6 Institutional Influences	6.20
Table 6.7 Relationship Commitment	6.23
Table 6.8 Trust	6.25
Table 6.9 Regression Analysis Results	6.31
Table 6.10 Results of Regression Analysis	6.36



Table 6.11	Effects of Independent Variables on Relationship Commitment	6.38
Table 6.12	Rules of Thumb About Correlation Coefficient	6.42
Table 6.13	Results of the Pearson's Correlation	6.43



## **LIST OF FIGURES**

	<b>Page</b>
Figure 3.1    The Changing Focus of Marketing	3.4
Figure 3.2    The Relational Exchange In Relationship Marketing	3.6
Figure 3.3    Previous Research on Trust Presented in Form of Matrix	3.43
Figure 3.4    Previous Research on Relationship Commitment Presented in Form of Matrix	3.50
Figure 4.1    Proposed Conceptual Model of Determinant of Relationship Commitment	4.3
Figure 5.1    Flow Diagram for Selecting the Appropriate Research Design	5.4
Figure 6.1    Path Model of Determinant of Relationship Commitment	6.35



# **CHAPTER 1**

## **RESEARCH OVERVIEW**

### **1.0 Introduction**

This chapter will cover an overview of the whole research. It attempts to uncover the importance of relationship commitment in the services firm (retail banking industry) as it leads to the relationship marketing that will be profitable to the banks. It examines the antecedents and the consequences of the relationship commitment in the Retail Banking. The term relationship marketing, relationship banking, and relationship commitment will be used interchangeably as they refer to the same thing in this study. It determines the role of personal, sociological and institutional influences, which suggests that the consumers reduce their choice and engage in the relationship marketing. The background of the study, objectives and hypotheses of the study will be stated in the chapter.

### **1.1 Background of the study**

Services firms are usually been relationship oriented. The nature of the services businesses is relationship based. A service is a process or performance where the consumer is involved, sometimes for a long period of time, sometimes only for short moment, and sometimes on a regular basis, sometimes for as a one-time encounter. There is always a direct contact between a customer and the service firm. This contact makes it possible to create a relationship with the consumer, if both parties



are interested in such a way of doing business (Garbarino and Johnson, 1999). As a service firm, the masses of consumers have made the establishment of true relationship more difficult, especially in the end-consumer market. This is where personal, sociological and institutional influences give an impact in building the relationship marketing (Sheth and Parvatiyar, 1995). In growing service businesses, the consumer was turned from a relationship partner into a market share statistics.

There are two obvious factors to consider in relationship marketing in the consumer market. First, the difficulty to administer a relationship oriented customer contact when a number of consumers are increasing. Second the growing influence from popular good-based, non-relational marketing approaches. The marketing mix management paradigm and its flagship, the 4P model, establish itself as the dominating marketing paradigm. At the same time, especially during the 1960s and 1970s, this approach to marketing made sense for producers of consumer goods with their non-relational customer contact. To a considerable degree it makes sense till today, even in goods marketing a relational approach is called for (McKenna 1991; Rapp and Collins 1990). The non-marketing approach did not meet the needs of service firms seeking a relational customer contact. Instead of focusing on the consumer contacts, marketing become preoccupied with campaigns and other short-term activities where the interest in getting customer dominated the task of keeping customers.





Understanding the motivations of consumers to engage in relationships with marketers is important for both practitioners and marketing scholars. In order to develop an effective theory of relationship marketing, it is necessary to understand what motivates consumers to reduce their available choice and engage in relational market behavior by patronizing the same marketer in subsequent choice situations. Several established consumer behavior literatures suggest that consumer engage in relational market behavior due to personal influences, sociological influences and institutional influences (Sheth and Parvatiyar, 1995).

Consumers reduce their available choice and engage in relational market behavior because they want to simplify their buying and consuming task (Reily and Parkinson, 1985), simplify information processing (Howard and Sheth, 1969), reduce perceived risk (Bauer 1960; Taylor 1974), and maintain cognitive consistency and the state of psychological comfort. They also engage in relational market behavior because of family and social norm, peer groups pressures, government mandates, religious tenets, employer influences, and marketer policies (Childers and Rao, 1992). The willingness and ability of both consumer and marketers to engage in relational marketing will lead to greater marketing productivity, unless either consumers or marketers abuse the mutual interdependence and cooperation (Sheth and Parvatiyar, 1995).

