

Happiness! Does it facilitate the relationship between relational norms and customer relationship commitment?

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Abstract: At present, every business sector in the market needs to face several challenges to survive and compete. Micro Finance Institutions (MFI's) is one of the business sectors that facing strong, multifaceted competition. Due to competition, customer drop out (exit/switching) is taking place. To achieve sustainability, MFIs need to reduce the dropout rate and to retain the customer by developing a relationship commitment (RC). Drawing on the relational exchange theory, this study investigates the direct and indirect relationship among relational norms (solidarity, the role of integrity, flexibility) on customer relationship commitment. This study is quantitative research where the data was collected from the respective population. The PLS-SEM technique is utilized for the analysis of data collected from 409 consumers of different MFI's of Bangladesh. The study employed a survey method for getting responses from MFI customers about solidarity, the role of integrity, flexibility, happiness and relationship commitment related statements. The study revealed that that solidarity, role of integrity, and flexibility have a significant effect on relationship commitment. Again, happiness mediates all the relationship between solidarity, the role of integrity, flexibility and relationship commitment. The study revealed that that solidarity, role of integrity, and flexibility have a significant effect on relationship commitment. Again, happiness mediates all the relationship between solidarity, the role of integrity, flexibility and relationship commitment. Hence, the study recommends that policymakers and the practitioners should apply this model to enhance relationship commitment in the MFI's in developing economy context. The study differentiated itself from other similar studies by examining the mediating roles of happiness in the relationship between relational norms and relationship commitment in the context of a developing country.

Key-Words: Micro Finance Institution, relational exchange theory, relational norms, relationship commitment, happiness, Partial Least Square PLS.

1 Introduction

The relationship marketing (RM) approach gives emphasis on building a long-term relationship for retaining customers. It is the key element for a long-term relationship (Palmatier Houston, Dant, & Grewal., 2013; Gundlach, Achrol, & Mentzer, 1995). More specifically, relationship commitment (RC) is one of the key success factors of a relationship marketing strategy (Morgan & Hunt, 1994).

To attain RC, an organization's strategy must be customer centric, long-term and be based on relationship orientation (Pournaris & Lee, 2016; Verma, Sharma, & Sheth, 2016; Adamson, Chan, & Handford, 2003). In support, researcher and scholars gave an indication that relationship commitment can be judged by relationship evaluation, which focuses on core relational building blocks (variables) including trust, relational norms, fairness, communication, shared values, customer-centred strategy, and reciprocity (Paulssen, Leischnig, Ivens, & Birk, 2016;

Khandabi, Klidbari, & Fadayi, 2014; Yu & Tung, 2013; Chen & Chou, 2012; Nguyen Hau & Viet Ngo, 2012). These vital relational variables are core in most relationship commitments. But previous researchers overlooked the effect of relational norms on RC (Paulssen et al., 2016; Aggarwal & Zhang, 2006). Also, previous studies have neglected to establish a relationship between relational norms through the mediating role of happiness to relationship commitment, even though happiness has been identified as an intervening factor between relational norms and relationship commitment (Wu, Cheng, & Ai, 2017; Weaven, Baker, & Dant, 2016; Levy & Hino, 2016; Jap & Ganesan, 2000; Morgan & Hunt, 1994). Whereas, it is also important to note that consumers' reciprocal behavior the core of relational exchange (Palmatier, 2008; Bagozzi, 1995), which significantly depends on the consumers' experience of happiness during the exchange process (Chan & Li, 2010; Bagozzi & Dholakia, 2006). Based on these observations, it will be interesting to investigate the relationship among relational norms, happiness and relationship commitment using micro finance institutions (MFI) as a context. Several reasons account for the use of MFI, as highlighted in the following paragraphs.

MFIs are important financial service provider in Bangladesh that provides financial services to poor or very poor citizens who are excluded from the traditional financial sector (Copestake, 2007). It plays a pivotal role in the Bangladeshi economy and contributes around 3 percent to the GDP in 2011 (Rahman, Rahman & Jalil, 2014). Moreover, it had created job opportunities for over 114,644 people ("Microcredit in Bangladesh", 2018). Furthermore, extreme poverty in rural areas has been reduced in Bangladesh by 16.8 per cent from 2000 to 2010, where MFI's contribution was over 53 percent (Khandker & Samad, 2013). Apart from the economic impact, MFIs had a different positive impact on cultural, social, political, individual, entrepreneurial, and household levels. It also had an emotional impact of 'happiness' on customers (Jose & Robert Buchanan, 2013). Consequently,

happiness reinforces the customer to commit to a long-term relationship (Belanche, Casaló, & Guinalíu, 2013; Hellén & Sääksjärvi, 2011).

Bangladesh is known as the hub of MFIs with the longest histories and numerous countries across the world have replicated the model to extend financial inclusion in their respective countries (Hasan & Malek, 2017; Hossain & Bayes, 2015). Microfinance in Bangladesh was initiated by the noble laureate Professor Muhammad Yunus, a Bangladeshi banking innovator, by establishing the Grameen Bank in 1983 (Mia, 2017). Over the last three decades, the MFIs of Bangladesh have gained a most vibrant and effective strength for the financial inclusion of the excluded poor. They worked as a primary agent of financial inclusion of the bottom group in the country and have been leading other countries to follow (Hasan & Malek, 2017).

At present, MFIs are facing a strong, multifaceted competition. On the one hand, commercial banks have begun to target MFIs' traditional customers, and new MFIs have continued to be created in the microfinance industry. Moreover, the expectation of microfinance customers about the required service is increasing day by day. These factors are intensifying the competition among the MFIs. As an outcome, MFIs are losing their customers due to this aggressive competition among the industry players, and they also experience dissatisfaction (Urquizo, 2006). The lack of understanding of customer priorities, weakness to satisfy customers, low staff-customer interaction and overlapping loan problems are affecting major MFIs, and the highly competitive and matured industry influences the MFI management to shed light on customer retention as a global strategic issue (Kanyurhi, 2013; Yuge, 2011). High customer dropout (exit) is also a noteworthy global problem for MFIs (Pearlman, 2014; Rani, Jalbani & Laghari, 2012). One of the prime reasons of dropout is the customers' intention to get a better service by switching to another MFI (Siliki, 2013; Meyer, 2002). Moreover, dropout discourages other customers to come,

increases the cost structure, creates difficulties to recover the cost of initiating loan contracts, hampers the prospect for sustainability, and dampens profitability (Urquizo, 2006; Hulme, 1999). A study conducted by IMF supported by Rani et al. (2012) revealed that in Asia, the customers' dropout rate was 28 percent. It is also important to note that three quarters of customer dropouts in Bangladeshi MFIs happen voluntarily due to dissatisfaction with the present service and a belief of getting better service from other MFIs (Siliki, 2013; Pagura, 2004, March; Wright, 2001). Hence, the competitive financial world in general and MFIs in particular, RM has been advocated as an excellent way to ascertain relationship commitment and long-term relationship with their customers (Jayashankar & Goedegebuure, 2011).

The present study is intended to explore further knowledge on the direct and indirect relationship between RM constructs of relational norms, happiness and relationship commitment. This study aims to investigate the link between the relational norms construct of RM and relationship commitment with happiness as a mediator. The present article is organized as follows. The first section lays out the theoretical underpinning. The following section provides literature review on relational norms, happiness and relationship commitment. Thereafter, the subsequent section provides description of method applied for the study, followed by data analysis and discussion of the study findings. The last section of the article discusses the conclusion and managerial implications as well as the limitations.

2 Theoretical underpinning

The Relational Exchange Theory (RET) (Macneil, 1980) developed a unique governance mechanism in the buyer-seller behaviour in exchange relationship (Macneil, 1980; Morgan & Hunt, 1994). It is rooted in Macaulay's (1963) influential research on non-contractual business relationships. RET recognizes the social aspects of business relationships and its dealings are in many

instances governed by informal agreements and implicit codes of conduct (Johnson & Sohi, 2016; Baker, Gibbons, & Murphy, 2002; Uzzi, 1997). Moreover, RET developed the argument that contracts are intrinsically incomplete, which implies that relational governance as a unique governance mechanism can enhance commitment to the exchange relationship and ultimately can improve the performance of the buyer-seller exchange (Joshi & Stump, 1999; Morgan & Hunt, 1994; Macneil, 1980).

Relational norms, historical and social relational context are the key premise of this theory, which creates mutual cooperation between exchange partners and drive satisfaction (Heide, 1994; Macneil, 1983, 1980). Moreover, RET focuses on solidarity, role of integrity, and flexibility to restrain conflict rather than applying power to manage relationships (Hsieh, Chiu & Hsu, 2008; Cannon, Achrol, & Gundlach, 2000; Macneil, 1980). This theory also conceptualized that participants in the exchange process usually obtain complex personal satisfaction and engage in long-term exchange (Lusch & Brown, 1996; Dwyer et al., 1987).

In line with RET, the exchange between parties are encompassed by the social component which is reflected in the conduct of the exchange partner (Macneil, 1978, 1980). These social components are the basic foundation of behavioural norms that prompt the expectation of coherence in a relationship (Buvik & Anderson, 2016; McLaughlin, McLaughlin, & Elaydi, 2014; Macneil, 1983). Behavioural norms are shared by people and continued by the approval and disapproval of them which also elicits emotion (Elster, 2000). There is a close relationship between behavioural norms and emotion. Performance of norms tends to elicit emotional feelings such as happiness and joy, but violation leads to embarrassment and guilt in others (Elster, 1994).

In a broader relational exchange context, happiness (positive emotion) is pointed out as a 'super-superordinate' consumer goal that regulates consumer to engage in a long-term

relationship with service provider (Sirdeshmukh, Singh, & Sabol, 2002). Furthermore, feelings of happiness induce exchange partners to reciprocate during the exchange process and reinforce commitment to the relationship (Bagozzi, 1995). Moreover, evolutionary psychologists also argued that feelings of reciprocity and gratitude are socially and genetically hardwired into human beings (Becker, 2014; Trivers, 1971). Following this line of reasoning, psychologists also proved that the people who demonstrate happiness express gratitude (Sääksjärvi, Hellén, & Desmet, 2017; Watkins, Woodward, Stone, & Kolts, 2003; Lyubomirsky, 2001). Scholars of RM also echoed the same view and acknowledged the presence of reciprocity and gratitude as an 'emotional core' in relational exchange (Becker, 2014; Palmatier, 2008). Furthermore, sociologists also revealed that there is a close association between happiness and reciprocal behaviour (Tsai & Dzorgbo, 2012). Hence, happiness significantly enhances exchange partners' desire to reciprocate positively to engage in exchange and build commitment to the relationship (Chan & Li, 2010; Bagozzi & Dholakia, 2006). In addition, relational exchange conceptualizes the previous view and assumes the embedded psychological pressure of cyclical reciprocity in an exchange partner to return the favour (Palmatier, 2008). Thus, the presence of happiness as a positive emotion triggers the level of commitment between the exchange partners (Weaven et al., 2016; Merchant, Ford, & Sargeant, 2010).

3 Literature review and hypotheses development

3.1 Relational norms and relationship commitment

RC is profoundly rooted in relationship marketing. RM literature refers RC as the exchange partners' desire and motivation to maintain a valued relationship (Brun, Rajaobelina, & Ricard, 2016; Palmatier, 2008). Morgan and Hunt (1994) see relationship commitment as the exchange partners' belief

about the mutual benefits of the relationship, usually resulting from good relational interaction, which warrants exchange partners to give more effort to maintain a long-endured relationship. Moreover, RC gives indication of psychological attachment to a particular service provider (Brun et al., 2016; Liang & Chen, 2009), which makes sure the continuance of relationship over time due to the consumer's motivation to maintain and solidify the bonds between the exchange partners (Brun, Rajaobelina, & Ricard., 2016; Hennig-Thurau, Gwinner, & Gremler, 2002; Morgan & Hunt, 1994). This psychological condition of RC is generally conceptualized as a multi-dimensional of three distinguishable components such as: affective commitment, continuance commitment, and normative commitment. This three-dimensional approach of RC is a suitable platform for examining the emotional (affective), functional (calculative) and social (normative) aspect that reflect relationship commitment to MFI. Affective commitment reflects the consumers' emotional link to identification with and attachment in an organization (Meyer & Smith, 2000). The second dimension, calculative commitment refers as the constraint based factor which bind the customer with service provider due to need. In this constraint based relationship, customer has the firm believe that they cannot cease the relationship due to economic, psychological or social costs (Bansal, Irving, & Taylor 2004). Finally, normative commitment reflected as behaviors resulting from a sense of obligation (Brun, Rajaobelina, & Ricard, 2014). It is rooted in perception of reciprocal obligation that exchange partner feels for it relational partner (Meyer & Parfyonova, 2010). Moreover, there is general agreement that these three components of RC are employed by different marketing scholars (Fullerton, 2003, Harrison-Walker, 2001, Gruen, Summers, & Acito, 2000) from the organizational behavior discipline to relationship marketing discipline. Hence, the multidimensional RC is measured as reflective second order construct considered as the most appropriate way of modeling and interpreting RC. Furthermore, given the nature of MFI sector, different previous studies have

suggested relational exchange as a marketing theory with particular relevance for MFI, which can decrease the probability of default loan and increased customer commitment to the relationship (Khalily, Faridi, & Saeed, 2016; Ibok & Etuk, 2013; Kanyurhi, 2013; Schrader, 2009; Khalifa & Liu 2003).

Relational norms play vital role in exchange relationship (Valta, 2013). It is rooted in sociology (Ivens & Blois, 2004) conceptualized as accepted and expected sentiments and behaviors of exchange partners where one party will feel social compulsion or force to maintain relationship with others. Importantly, it is viewed as substitute or complement to formal contract. The presence of relational norms in the exchange process reduces the risk of opportunistic behavior and gives a signal of harmony, satisfaction to both interested parties'. Moreover, in the complicated situation of exchange, it can also act as control mechanism to shield the customer response of relational transgression and divert it in to constructive reaction (Paulssen et al., 2016) Further, the combination of both, relational norms and formal contract may safeguard the exchange performance, increase relationship commitment (Abdi & Aulakh, 2012). However, this study applies three relational norms, a subset of Macneil's (1980) relational norms, which is also adopted by different scholars have particular significance in relational exchanges: solidarity, role of integrity and flexibility (Paulssen et al., 2016; Valta, 2013). *Solidarity* is important for the protection of relationship. It is apparent in exchange behaviour who shared their identity and willing to maintain relationship. High value is given on a mutual feeling of 'we-ness' that vows the parties that in case of arisen of any untoward issues during the relationship will be treated as joint concerns. Moreover, that perception of the presence of solidarity ultimately satisfies the need of exchange partner to maintain long term relationship (Macneil, 1980). *Role of integrity* norms refers to role play of the parties engaged in exchange relationships to uphold promises and expectations. It also entails the parties involved have firm conviction that whom they

are dealing with expects to behave properly in all situations. Moreover, the parties are involved in role play not only to control individual transaction but also to safeguard a multiple issue indirectly related to any other transaction. Further, performance of role of integrity indicates establishment of empathy toward the customer, growth of relationship between buyer- seller which resulted in greater customer satisfaction and loyalty. Flexibility denotes the expectation of different partners in exchange about the willingness of adaptation of different exchange partner in present implied or explicit agreement under changing environmental condition. It facilitates many relationships to adapt in initial agreement under a new environmental condition and unexpected contingency. It also focuses on adaptation should only be permissible in existing relational exchange. Similarly, modification can be made in good faith if a specific practice demonstrates harmful for the parties in changed situation. Again, flexibility is fundamental in exchange partner's relationship to build long term orientation which ultimately enhances customer satisfaction in exchange relationship.

However, several studies of numerous scholars have examined the link between relational norms and relationship commitment is justified (Ishak, 2016; Valta, 2013), though the majority of the study conducted on business to business relationship and in western world context (Noordewier, John, & Nevin, 1990). Yeh (2016) investigated the effect of relational norms on relational value and value addition in strategic supply chain management. The finding indicates that relational norms directly and positively influence the dimensions of relationship quality: satisfaction, trust and commitment in industrial relationship. Similarly, Ishak (2016) conducted study on relational norms and franchisor-franchisee relationship in Malaysian context. The result shows that relational norms variables namely: solidarity, flexibility, information exchange positively contribute to relationship quality dimension: satisfaction, trust, commitment. Based on these arguments, the researchers propose the following hypotheses:

H1: Solidarity positively affects the relationship commitment in MFI

H2: Role of integrity positively affects the relationship commitment in MFI

H3: Flexibility positively affects the relationship commitment in MFI

3.2 Happiness and relationship commitment

Emotion is one of the psychological states of readiness arises from cognitive evaluation of events or thought which motivate customer to choose a particular product or services (Levy & Hino, 2016). One of the discrete form of emotion is happiness, appears as one of the most used emotion word in consumption emotion. It is enumerated as particular emotion elicited after fulfillment of consumer's expectation. Happiness conceptualizes as accumulation of many small pleasures or happy moments. Researcher also argued that comparison between standard and actual conditions elicited happiness in consumer. Further, scholars pointed out that happiness act as a driver of customer commitment during the consumption experience (Belanche et al., 2013).

Moreover, happiness, a discrete positive emotion type, stimulates success and makes individuals confident about being committed towards the service provider (Wu et al., 2017; Pappas, Giannakos, Kourouthanassis, & Chrissikopoulos, 2013, April; Hellén & Sääksjärvi, 2011; Lyubomirsky et al., 2005). Similarly, scholars of psychological research confirmed that happiness increases commitment (Diener, Lucas, & Scollon, 2006; Lucas, Diener, & Suh, 1996). A study by Hellén and Sääksjärvi, (2011) established a strong relationship between happiness and consumer commitment. They identified that happiness is positively related to customer commitment (affective, normative, and continuance commitment).

H4: Happiness positively affects the relationship commitment in MFI.

3.3 Relational norms, happiness and relationship commitment

Organizations can create happiness in the consumer's mind by fulfilling relational norms (Uchida & Ogihara, 2012). A happy customer is committed to maintain long-term relationship (Belanche et al., 2013). Similarly, social science research also demonstrates that in different cultural contexts, interpersonal adaptation with existing social norm and fulfillment of relational responsibilities increase happiness and satisfaction among people (Oishi & Diener, 2001), which, in turn, influences customers' intentions to continue the relationship with service providers (Mahmoud, Hinson, & Adika, 2018).

A good number of researches have established a positive relationship between solidarity and happiness (Vázquez, Cervellón, Pérez-Sales, Vidales & Gaborit, 2005; Lawler & Thye, 1999; Collins, 1981). For example, Vázquez et al. (2005) found a relationship between *solidarity* and happiness. Again, in a social exchange context, Lawler and Thye (1999) argued that when people in the society jointly felt a sense of solidarity, it elicits positive emotions and ultimately influences social exchange. Similarly, Collins (1981) also opined that the more powerful the sense of solidarity, the greater the influence of positive emotion in a group relationship.

Previous literature on the study of relational norms explained that the *role of integrity* means upholding the promises and expectations of the exchange partner (Kaufmann & Stern, 1988). Furthermore, past literatures also established the relationship between fulfilment of promise, which is also considered as role of integrity, and positive emotions (Conway & Briner, 2002; Weiss & Cropanzano, 1996). Ivans & Blois (2004) argued that parties involved in relational exchange need to fulfil specific roles or some mutual promises. Similarly, Chebat and Michon (2003) argued that in the service context, expectation fulfilment can generate positive emotions such as joy, while falling

short of expectations can generate negative emotions.

Many previous studies had tested the relationship between *flexibility* and happiness (Atkinson & Hall, 2011; Warr, 2007; Dockery, 2005; Berg, Appelbaum, Bailey, & Kalleberg, 2004), and most of the studies found that flexibility and happiness are positively related. Atkinson and Hall (2011) examined that flexibility in the working condition was positively related to employees' happiness. Moreover, positive psychology literature also revealed that positive human attributes such as flexibility (Veenhoven, 1988) creates happiness in human beings (Warr, 2007; Dockery, 2005; Wright, Larwood, & Denney, 2002).

The above findings showed the relationship between solidarity, role of integrity, flexibility and happiness (positive emotion) in the business and social context (Atkinson & Hall, 2011; Enrique Bigné, Mattila, & Andreu, 2008; Ivans & Blois, 2004; Chebat & Michon, 2003; Conway & Briner, 2002; Wright et al., 2002). Furthermore, different researchers also found a positive relationship between happiness and relationship commitment (Belanche et al., 2013; Prayag et al., 2013; Pappas et al., 2013; Hellén & Sääksjärvi, 2011; Gupta & Hee-Woong, 2007). Moreover, extant literature in RM also indicates happiness as a major outcome of relationship marketing and process culminating in service re-patronage and subsequent commitment to the relationship (Belanche et al., 2013; Hellén & Sääksjärvi, 2011). This explains the reasons that show that happiness can mediate between the antecedents and outcomes in relational exchange context. Hence, it is proposed that:

H5: Happiness mediates the relationship between solidarity and relationship commitment in MFI.

H6: Happiness mediates the relationship between role of integrity and relationship commitment in MFI.

H7: Happiness mediates the relationship between flexibility and relationship commitment in MFI.

4 Conceptual frameworks

As shown in figure 1, the framework establishes the relationship among solidarity, role of integrity, flexibility, happiness, and relationship commitment.

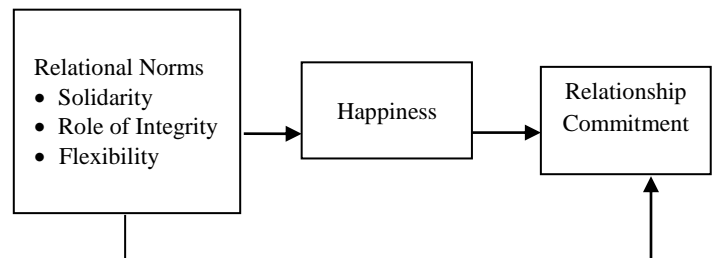


Figure 1. Conceptual framework of the study

5 Research methodology

Research design is the frame work and procedures of conducting a research (Zikmund, Babin, Carr & Griffin, 2013). It is also known as a general plan to link conceived research problem to relevant and realistic empirical research (Churchill & Iacobucci, 2006). This current study adopts quantitative research method. It investigates the structural relationship among the variables: solidarity, role of integrity, flexibility, happiness, and relationship commitment. The study utilized cross-sectional research method to collect data at once throughout the study. This is a proper approach which explain the potential contribution of various factors to measure relationship commitment, validate the proposed research frame work and consider the constraint of resources (money and time) of the researcher (Sekaran & Bougie, 2010). The population for the study comprised MFI customers of Dhaka division of the largest two NGO-MFIs namely, BRAC and ASA, which are serving over five million customers each total 10,607,642 customers (Microcredit Regulatory Authority, 2016) and holding control of over 50 percent in

terms of customers and total financial portfolios in micro finance market (“Microcredit in Bangladesh”, 2018).

Present study utilized survey method to collect data by self-administered questionnaire in natural settings. This method is considered as the best to adapt to collect data about huge populations involving psychosomatic and sociological constructs that cannot be observed straightforwardly (Kerlinger, 1986). Primary data were collected directly from the MFI customers from the administration of questionnaires. The questionnaire was divided into two main sections: A and B. Section A is made up of questions solidarity, role of integrity, flexibility, happiness and relationship commitment. All together there were 24 items in this section. Items were taken from different research scholars previous studies and adapted to suit the MFI context. In this study, relational norms constructs (solidarity, role of integrity and flexibility) consisting of 11 questions – was adapted from studies of Paulssen et al. (2016); Gundlach and Achrol (1993); Paulssen et al.(2016), respectively. Happiness construct contained four questions, was adapted from Belanche et al. (2013). Meanwhile, RC constructs (affective, calculative and normative) comprised of nine questions, was adapted from (Izogo, 2017; Shukla, Banerjee, & Singh, 2016; Fullerton, 2014) respectively. All items were measured on five-point Likert scales anchored at 1 (strongly disagree) and 5 (strongly agree) that was valid and appropriate measurement as many earlier studies have implemented it successfully (Narteh,

Agbemabiese, Kodua, & Braimah, 2013). Section B was consisted of 5 questions about the respondent’s personal information, such as gender, age, academic qualification, relationship age and name of MFI.

The study utilized systematic sampling technique to determine the sample size, which is one of the basic categories of probability sampling (Sekaran & Bougie, 2010; Cooper & Schindler, 2006), on the clients of MFI in the Dhaka division in Bangladesh. The data were collected from 538 clients of MFI’s in six districts of Dhaka division. Consequently, out of 538 distributed questionnaires a total number of 457 respondents, from six districts of Dhaka divisions of Bangladesh, filled and returned there response. This accounted for 85 percent response rate in accordance with Jobber’s(1989) conceptualization of response rate. However, we discarded a total of 48 questionnaires due to missing data and multivariate outliers leaving 409 effective responses which is 76 percent of distributed questionnaires, suggesting more than adequate by the scholars (Hair, Black, Babin, & Anderson, 2010). Data collected from the study were analyzed by SPSS version 24 and Smart PLS. The study applied partial least squares (PLS) technique an implementation of structural equation modeling (SEM) with Smart PLS 3.2.7 (Ringle, Wende, & Becker, 2017) to examine conceptual model and test the proposed hypotheses. Further demographic items have been analyzed by the descriptive statistical tools.

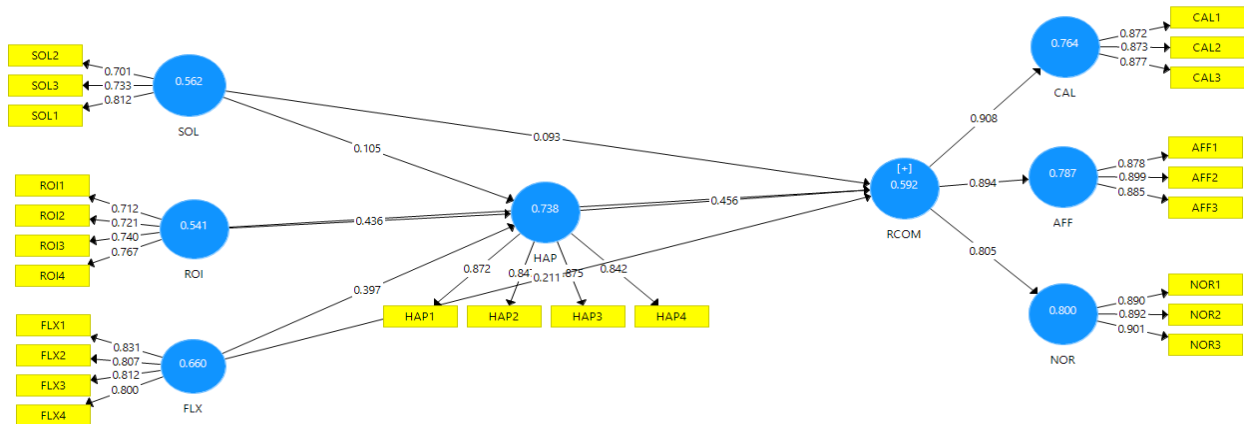


Figure 2. Measurement model

6 Results

6.1 Respondent details

Out of a total 409 respondents, 390 were females, representing 95.4 percent. The remaining 19, representing 4.6 percent were male. Similarly, it is also reported that female represents 93 percent of MFI’s customers in Bangladesh against 7 percent of male (Microcredit Regulatory Authority, 2016). Regarding respondents’ age, a significant 34.5 percent of respondents are within the age bracket 36-45, followed by 27.9 percent belongs to the age group 26-35 and 23.2 percent belongs to the age group 46-55, while the lowest 4.9 percent are those respondents whose age is above 55 years. As for the academic qualification 59.4 percent studied in high school but cannot attain secondary school certificate and 40.6 percent studied in primary school.

Further, the present study followed the scholar’s (Balaji, 2015; Verhoef, Franses, &

Hoekstra, 2002) guideline regarding the measurement of respondents relationship age as the interval between the time of measurement and starting date of the relationship with the MFI’s in years. As the time frame are very contextual, the study used median split method to categories respondent in low relationship age and high relationship age (Balaji, 2015). Accordingly, the averages relationship age of the respondent is 4 years & 9 months. Likewise, table 4.7 shows that 67.2 percent of the respondent belongs to the high relationship age (above 4 years & 9 months) and 32.8 percent belongs to low relationship age (under 4 years & 9 months) categories. Alongside the present study, several other previous studies also used this method in examining relationship age (Balaji, 2015; Dagger, Danaher, & Gibbs, 2009; Verhoef et al., 2002).

6.2 Measurement model assessment

The measurement model deals with the measurement of latent variables of the PLS-SEM path modeling. Each latent construct of the model comprises with reflective multiple observation. Assessment of measurement model includes the estimation of individual

item reliability, internal consistency reliability, content validity, convergent validity and discriminant validity (Hair, Hult, Ringle, Sarstedt, 2016). Figure 2 illustrates the measurement model. After initial run of PLS-SEM, the empirical results indicate that the factor loadings score for all of the items was above 0.70 and no item were deleted. Composite reliability (CR) coefficients range between 0.793 and 0.929 exceeding the

threshold of 0.70 (Nunnally, 1978), indicated adequate internal consistency reliability of the construct. Convergent validity of the items was assessed by the approaches developed by Fornell and Larcker (1981) for PLS. Consequently, the AVE of each latent construct was above 0.5 indicating adequate convergent validity of the constructs.

Table 1. Item loading, internal consistency, average variance extracted

| Construct /Dimension | Higher Order Construct | Item | Loading | CR | AVE |
|------------------------|------------------------|------|---------|-------|-------|
| Affective Commitment | | AFF1 | 0.878 | 0.917 | 0.787 |
| | | AFF2 | 0.899 | | |
| | | AFF3 | 0.885 | | |
| Calculative Commitment | | CAL1 | 0.872 | 0.907 | 0.764 |
| | | CAL2 | 0.873 | | |
| | | CAL3 | 0.877 | | |
| Normative commitment | | NOR1 | 0.890 | 0.923 | 0.800 |
| | | NOR2 | 0.892 | | |
| | | NOR3 | 0.901 | | |
| Solidarity | RCOM | | | 0.929 | 0.592 |
| | | SOL1 | 0.812 | | |
| | | SOL2 | 0.701 | | |
| Role of Integrity | | SOL3 | 0.733 | 0.793 | 0.562 |
| | | ROI1 | 0.712 | | |
| | | ROI2 | 0.721 | | |
| | | ROI3 | 0.740 | | |
| Flexibility | | ROI4 | 0.767 | 0.825 | 0.541 |
| | | FLX1 | 0.831 | | |
| | | FLX2 | 0.807 | | |
| | | FLX3 | 0.812 | | |
| Happiness | | FLX4 | 0.800 | 0.886 | 0.660 |
| | | HAP1 | 0.872 | | |
| | | HAP2 | 0.847 | | |
| | | HAP3 | 0.875 | | |
| | | HAP4 | 0.842 | 0.918 | 0.738 |

Discriminant validity refers as the extent to which the every construct of the model is different from each other (Hair et al., 2016). Fornell and Larcker (1981) criterion was used to test the discriminant validity of the constructs. Table 2 showed the square root of AVE of each construct in the matrix (bold face) were all above the correlations among latent variables (off diagonal), suggesting adequate discriminant validity (Fornell & Larcker, 1981), and suggesting adequate discriminant validity.

Table 2. Latent variables correlations and square roots of average variance extracted

| | AFF | CAL | FLX | HAP | NOR | ROI | SOL |
|-----|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| AFF | 0.887 | | | | | | |
| CAL | 0.761 | 0.874 | | | | | |
| FLX | 0.647 | 0.679 | 0.813 | | | | |
| HAP | 0.758 | 0.725 | 0.700 | 0.859 | | | |
| NOR | 0.548 | 0.591 | 0.475 | 0.573 | 0.894 | | |
| ROI | 0.644 | 0.682 | 0.620 | 0.711 | 0.496 | 0.735 | |
| SOL | 0.342 | 0.390 | 0.308 | 0.348 | 0.245 | 0.277 | 0.750 |

Moreover, another recent method to assess discriminant validity is heterotrait-monotrait (HTMT) ratio of correlations (Henseler, Ringle, & Sarstedt, 2015) which considered

as more conservative and better assess the discriminant validity more reliability than other approaches. Table 3 indicated that the entire latent construct has successfully passed the HTMT0.90 criterion (Henseler et al., 2015), thereby, indicating that discriminant validity is not an issue in the present study. Hence, using both the Fornell-Larcker criterion and HTMT0.90, present study can establish the discriminant validity of the measurement model.

6.3 Structural model assessment

The present study assesses the structural model by applying PLS-SEM bootstrapping resample procedure. This method was also used to confirm the hypothesized relationships between latent constructs in the proposed model. In addition to that this study tested the mediation effect by PLS approach in which significance of the relevant path coefficients was evaluated via bootstrap.

Table 4. Structural model assessment with mediator (full model)

| No. | Hypotheses path | Path Coefficients | Standard Error | T value | P Value | Decision |
|-----|--------------------|-------------------|----------------|---------|----------|-----------|
| 1. | SOL -> RCOM | 0.093 | 0.041 | 2.259 | 0.012* | Supported |
| 2. | ROI -> RCOM | 0.219 | 0.067 | 3.256 | 0.001*** | Supported |
| 3. | FLX -> RCOM | 0.211 | 0.06 | 3.553 | 0.000*** | Supported |
| 4. | HAP -> RCOM | 0.456 | 0.074 | 6.123 | 0.000*** | Supported |
| 5. | SOL -> HAP -> RCOM | 0.048 | 0.017 | 2.801 | 0.003** | Supported |
| 6. | ROI -> HAP -> RCOM | 0.199 | 0.043 | 4.602 | 0.000*** | Supported |
| 7. | FLX -> HAP -> RCOM | 0.181 | 0.045 | 4.017 | 0.000*** | Supported |

Note: ***p<0.001, **p<0.01, *p<0.05 SOL= Solidarity, ROI=Role of Integrity, FLX=Flexibility, HAP=Happiness, RCOM= Relationship Commitment.

The path model (Figure 3) measure the T-value between the constructs and related indicators of the particular latent construct. Hence, structural model signifies the level of the constructs as well as the manifest constructs. Results depicted in Table 4 and Figure 3 show that the hypothesized significant positive relationships between solidarity and relationship commitment ($\beta = 0.093$, $t = 2.259$, $p < 0.05$), role of integrity and relationship commitment ($\beta = 0.219$, $t = 3.256$, $p < 0.001$), flexibility and relationship commitment ($\beta = 0.211$, $t = 3.553$, $p < 0.001$), and happiness and relationship commitment ($\beta = 0.456$, $t = 6.123$, $p < 0.001$). Similarly, the indirect hypotheses on the significant mediating effect of happiness on the relationships between solidarity ($\beta = 0.048$, $t = 2.801$, $p < 0.01$), role of integrity ($\beta = 0.199$, $t = 4.602$, $p < 0.001$), flexibility ($\beta = 0.181$, $t = 4.017$, $p < 0.001$), and relationship commitment were supported. Moreover, the present study assessed the R^2 (coefficients of determination) values for relationship commitment and happiness 0.693 and 0.622 respectively. This study considers the variance as acceptable (Chin, 1998).

7 Discussion

The aim of the study was to investigate the direct effects of solidarity, role of integrity and flexibility on relationship commitment and more importantly the mediating effect of happiness on the relationship between the solidarity, role of integrity, flexibility and relationship commitment in MFI context. The study revealed a positive and significant relationship between solidarity and relationship commitment in the MFI sector. This confirms the study of Ishak (2016), who identified that solidarity in a franchise relationship, exhibited the behavior of togetherness to maintain the relationship commitment. Hence, the results of the present study showed that MFI achieves relationship commitment by creating perceptions of solidarity among customers through performing certain activities such as mitigating problems related to installment,

relationship and climatic hazards, even going beyond contractual obligations. Similarly, positive relationship was identified between role of integrity and relationship commitment in Bangladeshi MFI context, which corroborates the findings of (Ivens & Blois, 2004). This finding also confirms the findings of Yang, Tsai, and Liao (2014) that the manager's role of integrity (fulfilling expectations and priorities) positively influenced employees' commitment to remain with the organization. This implies that customers gained confidence on the MFIs by following up on high role integrity, which ultimately inclined them to commit to the relationship for a longer period of time.

The present study's contribution is threefold. First, it uses the relational exchange constructs to develop a model and integrates relevant concepts into a structural model and tested empirically by using data collected from the MFI clients. Till to date few studies have considered the presence of relational norms and happiness as antecedents of relationship commitment in an integrated model. Second, findings suggest that happiness mediate on the relationship between the solidarity, role of integrity, flexibility and relationship commitment. However, the findings of this study have a number of significant implications for both academicians and practitioners. Furthermore, this study contributes to theory by empirically validating the role of happiness as relational exchanges construct that gained scanty research attention. Finally, the results become more important if we consider that relationship commitment is a mechanism by which organization leads to enhance financial performance and earnings. MFI management should strive to maintain solidarity, role of integrity and flexibility in exchange process that induce customer to maintain long term relationship. Therefore, it is crucial for MFI management to better understand the interactions and dynamics of the antecedents of relationship commitment as well as the effects of consumer happiness on RC in order to gain competitive advantage.

8 Conclusions, implications, and further research directions

Relationship marketing has been advocated as an excellent way to fostering relationship commitment in services sector. The core of relationship marketing is to build a long term relationship with customer in order to reduce customer switching behavior as a means of ensuring relationship commitment. Hence, the study investigated the direct and indirect relationships between solidarity, role of integrity and flexibility with relationship commitment through happiness in MFI industry in Bangladesh. Hypotheses were formulated on the basis of the previous literature and tested the relationship between the constructs in the conceptual framework. The results of the present study demonstrated that solidarity, role of integrity and flexibility have a direct relationship with relationship commitment. Moreover, solidarity, role of integrity, and flexibility were found to have indirect relationship with relationship commitment via happiness.

The findings of this research have significant contribution to both theory and practice. The empirical support for the antecedents of relationship commitment and the mediating effect of happiness on the relationship between relational norms and relationship commitment were the major theoretical contributions of this study, particularly in the literature of microfinance relationship marketing. The conceptual framework of the present study was supported and explained from the theoretical lens of the relational exchange theory (Maclean, 1980).

The current study provides a theoretical implication through additional empirical evidence in the field of relational exchange theory. Instead of focusing on the relationship between relational constructs and relationship commitment, the present study extended RET by exploring a diverse range of basic RM

dynamics. The results of the study indicated that despite the reality of contractual governance of the relationship between MFI and customer, customers still feel positive emotions of happiness when they perceived their relationship as characterized by relational norms. Consistent with much of the relationship marketing literature, the model of the present study portrays relational norms as the core antecedent variables. As for the impact of happiness on the relationship, strong empirical support of the present study clearly established that happiness fostered a positive sentiment of relationship commitment, which is the core component of relationship marketing.

Moreover, MFI management should focus especially on enhancing solidarity, role of integrity and flexibility perception to increase customer relationship commitment. This insight helps the MFI management to give a proper justification of the expenditure on the fulfilment of relational norms in an attempt to improve relationship commitment. In addition to that, rather than validating the research framework in the traditional popular context such as retail business, tourism and hospitality, restaurant and banking, the present study extended RET application by empirically examining the model in the context of MFI that has gained limited research attention by researchers. Further, this study provides an insight about the strategic implications of relational exchange in the MFI industry. This present study suggests that all players in this industry should safeguard the long-term relationship with customers through building relationship commitment. This can be achieved by understanding how to make customers happy about the services of MFIs that lead them to be committed to the relationship. In line with the relational exchange theory and previous studies, the findings of this study indicate that MFIs can contribute high levels of happiness among customers by performing relational norms which ultimately leads to relationship commitment. Therefore, MFIs can maintain and develop relationship commitment with

customers through eliciting happiness in their minds by introducing relational exchange concepts that are currently missing in most of them.

Notwithstanding, the study made several insightful contributions to the relationship marketing literature, particularly to the MFIs in Bangladesh. Despite the insightful findings, the results must be interpreted considering a number of limitations. Firstly, the sample was drawn from two major NGO-MFIs, which were ASA and BRAC in Bangladesh. Future research should expand the sample by including all NGO-MFIs, specialized institutions, commercial banks and other MFIs run by administrative ministries to achieve a more insightful conclusion regarding the links between relational norms, fairness, happiness and relationship commitment. Secondly, relationships among the constructs were examined by using cross-sectional survey instead of using longitudinal approach. Hence, future studies may consider longitudinal approach where it will take long period of time to investigate the changes in the respondent behaviour. Moreover, examining the influence of these constructs, over a time period, may also uncover additional relational constructs or perspectives on happiness that are yet to be explored. Further, future longitudinal studies may explore the likely change in customers' relationship commitment overtime.

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