

Customer Profile And Relational Norms Orientation Of Bangladeshi Micro Finance Institution's (MFI's): An Overview

Shaikh Rafiqul Islam

Associate Professor, Department of Marketing, Jagannath University, Bangladesh & Doctoral candidate,
University Utara Malaysia

ABSTRACT: Relational norms play a pivotal role in exchange relationship. The success of relationship marketing strategies depends on the practice of relational norms in the organization. It has gained attention in business to business (B2B) context but scanty evidence of practice in business to consumer (B2C) context. Therefore, this study aims to investigate an overview of profile of Bangladeshi MFI customers' and the level of relational norms orientation. The study applied systematic random sampling and analyses the findings of the questionnaires of 409 respondents which were collected from selected districts of Dhaka division. The paper illustrates an overview of MFI customers' profile. Moreover, the result shows that the level of relational norms orientation among MFI customers is at high level. Discussion and implication of this study introduced in the last section of this paper.

KEYWORDS - Customer profile, MFI's in Bangladesh, and Relational norms.

Date of Submission: 07-09-2018

Date of acceptance: 24-09-2018

I. INTRODUCTION

Relational norms of relationship marketing (RM) play pivotal role in exchange relationship (Valta, 2013). It is known as the 'soft' features of governance mechanism of exchange process that is rooted in sociology (Ivens & Blois, 2004). There are different types of uncertainty and risk of opportunistic behaviour of exchange partners in the exchange process (Valland & Hakansson, 2003). The presence of relational norms in the exchange process reduces those risks of opportunistic behaviour and gives a signal of harmony, satisfaction to both interested parties' (Ott & Ivens, 2009; Sven Ivens, 2006). Moreover, it is act as control mechanism to shield the customers' response of relational transgression and divert it in to constructive reaction (Paulssen et al., 2016).

Moreover, in the complicated situation of exchange, the combination of relational norms and formal contract may safeguards the exchange performance, increase performance outcome (overall satisfaction, market performance, relationship performance) (Chen, Zhu, Ao, & Cai, 2013, Abdi & Aulakh, 2012), save transaction cost and limiting emerging opportunities (Roehrich & Lewis, 2014; Yang, Su, & Fam, 2012). It involves more than formal contract in exchange and viewed as substitute or complement to formal contract (Malhotra, 2009; Zaheer & Harris, 2006; Woolthuis, Hillebrand, & Nooteboom, 2005). Nevertheless, formal contract has several limitations: incomplete nature of contract, indication of absence of trust, rigid nature of contract application which reduces flexibility of relationship among different exchange partner (Cao & Lumineau, 2015; Faems, Janssens, Madhok, & Van Looy, 2008). In addition to that, it is nearly impossible to write explicitly everything in contract. Rather implicit agreements or relational norms, guide exchange relationships (Valta, 2013; Macneil, 1974).

In many instances, with the view to cope with changing environmental conditions contracts are deliberately left incomplete where actors' enjoy flexibility to play role in exchange (Macneil, 1977). While, in the buyer-seller exchange, usually repeated exchanges rooted in relational norms. It emerges from the social values and accepted processes found in social relationships which create obligations, promises, and expectations among the parties (Sprigg & Macneil, 1996; Noordewier, John, & Nevin, 1990; Heide & John, 1992).

Knowing about the presence of relational norms and their sound effect is imperative for relationship marketing. On the contrary, there is a scanty evidence of understanding about relational norms in the developing countries. Particularly, there is little known about the Bangladeshi MFI customer's profile and their relational norms orientation toward the MFI. Hence, conducting a study describe the profile of Bangladeshi MFI customers is one of the objective of the study. This study also describes the level of relational norms orientation among Bangladeshi MFI customers.

II. LITERATURE REVIEW

2.1 Relational norms

Different scholars conceptualize relational norms as accepted and expected sentiments and behaviors of both parties where one party will feel social compulsion or force to others (Macneil, 1983). Heide and John (1992) define norms as assumptions about conduct of group of decision makers that are in any event at least partially shared by them. Opp (2001) define relational norms from two dimensions: expectation and sanction. Expectation definition explains as expected behavior of a person or group in a given circumstances. Sanctioning definition posits if there is a chance of non-conformity of behavior sanctioned norm exists there. Similarly, Elster (2000) define norms as regulatory convention regarding behavior which are shared by group of people and are partly depend on the approval and disapproval of other people. In business exchange dyads the authors' defined norms as implicit codes of accepted or expected behavioral pattern which encourage acceptable and discourage unexpected behaviors of exchange partner that complement explicit contractual agreement in exchange relationship (Heide & John, 1992; Kaufmann, 1987). Drawing upon the fact of various definitions a consensus become visible to have been reached in relationship marketing that relational norms are the reference point for assessing expected behaviour in exchange situation where both the parties feel obligation to perform acceptable behaviour.

Still, there is a debate about existence of norms and their difference. Macneil devoted his effort to develop a set of relational norms which is known as binding force to regulate acceptable behaviour (Macneil, 1980). He also suggests that application of these norms: role integrity, reciprocity implementation of planning, effectuation of consent, flexibility, solidarity, the linking norms, creation and restraint of power, propriety of means harmonization with the social matrix, can be evident in different exchange situation. But, he does not provide any definite set of norms that are particularly relevant in business relational exchange (Sven Ivens, 2006). Subsequently, prior research work also confirms limited discriminant validity among all relational norms developed by Macneil (Sven Ivens, 2006; Heide & John, 1992). Meanwhile, Kaufmann and Stern (1988) were reduced this list to three relational norms namely: solidarity, role integrity, and mutuality. Further, other scholars in relational exchange added some new norms such as flexibility, information exchange, participation and fairness to this list (Jap & Ganesan, 2000; Heide & John, 1992). Despite the fact that, organization that underlines relational norms will gain various benefits whereas the relative significance of every norm to accomplish the objectives relies upon the context of exchange (Paulin et al., 1997). However, this study applies three relational norms variables: solidarity, role of integrity and flexibility, a subset of Macneil's (1980, 1974) relational norms, which is also adopted by different scholars have particular significance in relational exchanges of MFI's in Bangladesh (Paulssen et al., 2016; Paswan & Young, 2015; Valta, 2013). The following sections discuss three relational norms: solidarity, role of integrity, and flexibility.

2.1.1 Solidarity

Solidarity is important for the protection of relationship. It is apparent in exchange behaviour who shared their identity and willing to maintain relationship (Ott, & Ivens, 2009). 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 (Jap & Ganesan, 2000) Moreover, that perception of the presence of solidarity ultimately satisfies the need of exchange partner to maintain long term relationship Macneil, 1980; Kaufmann & Stern, 1988).

2.1.2 Role of integrity

Role of integrity norms refers to role play of the parties engaged in exchange relationships to uphold promises and expectations (Kaufmann & Stern, 1988). It also entails the parties involved have firm conviction that whom they are dealing with expects to behave properly in all situations (Ivens, & Blois, 2004). Moreover, the parties are involved in role play not only to control individual transaction but also to safeguard a multiple issues 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 (Othman & Amandu Yassin Isâ, 2015)

2.1.3 Flexibility

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 (Noordewier, John, & Nevin, 1990). 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 (Kaufmann & Stern, 1988). Similarly, modification can be made in good faith if a specific practice demonstrates harmful for the parties in changed situation (Heide & John, 1992). Again,

flexibility is fundamental in exchange partner's relationship to build long term orientation which ultimately enhances customer satisfaction in exchange relationship (Goles & Chin, 2002).

Hence, researchers also suggested relational norms is a relevant study topic for B-to-C marketing and must be considered to understand the evolution of such relationship (Paulssen et al., 2016; Wan, Hui, & Wyer, 2011; Aggarwal & Zhang, 2006). To address MFI's relationship with customer as social interactions, the present study investigates the relational norms in the context of Bangladeshi MFI-customer relationship.

III. METHODOLOGY

The study has been conducted on the clients of MFI in the Dhaka division, Bangladesh. The current study used, systematic random sampling to attain highest representativeness of population in the context of 33.73 million customers of MFIs in Bangladesh (Microcredit Regulatory Authority, 2016; Zikmund et al., 2013; Sekaran & Bougie, 2010). For a population of over (1000,000), the minimum sample size of 384 is appropriate for research as determined by several researchers (Cavana, Delahaye & Sekaran, 2001; Krejcie & Morgan, 1970). Since the researcher is not sure to be able to get a 100 percentages response, the total number of questionnaires is increased by 40 percentages to ensure a more accurate response (Salkind, 1997); hence the working sample size is increased from 384 to 538. 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, filled and returned there response. This accounted for 85 percent response rate according to 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.

Measures for the key constructs were developed from previous literature. In the process of coding, the orderable options from Strongly Disagree to Strongly Agree in the five-point Likert Scale have been coded from "1" to "5". This coding meant that a low value represented a low level for the variable (e.g. 1 = Strongly Disagree) while higher values indicated a higher level of the variables.

IV. DATA ANALYSIS

This section provides profile information on the MFI customers that participated in the survey. The characteristics examined include the customers' gender, age, academic qualification, name of MFI, relationship age (duration of relationship), and overlapping loan.

Table 1 Respondent Profile

Demographic variable	Category	Frequency	Percentage
Respondent Gender	Male	19	4.6
	Female	390	95.4
Respondent Age	Under-26	39	9.5
	26-35	114	27.9
	36-45	141	34.5
	46-55	95	23.2
	55 and above	20	4.9
Academic qualification	Primary School	166	40.6
	High School	243	59.4
Name of MFI	ASA	296	72.4
	BRAC	113	27.6
Relationship Age	Under 4 years & 9 months	134	32.8
	Above 4 years & 9 months	275	67.2
Taking loan from one institution	Yes	169	41.3

As shown in Table 1, 95.4 percentages of the respondents are female. This signifies that most of the clients of MFI's are female. Similarly, it is also reported in MRA literature that female represents 93 percentages of MFI's customers' in Bangladesh against 7 percentage of male (Microcredit Regulatory Authority, 2016). Regarding respondents' age, above table depicts that majority of the respondents 34.5 percentages are within the age bracket 36-45, followed by 27.9 percentages belongs to the age group 26-35, and 9.5 percentages under 26 years, while the lowest 4.9 percentages are those respondents whose age is above 55 years. As for the academic qualification 59.4 percentages studied in high school but cannot attain secondary school certificate and 40.6 percentages studied in primary school.

Further, the present study followed the scholar's (Balaji, 2015; Verhoef et al., 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 for the purpose of moderation analysis (Balaji, 2015). Accordingly, the average relationship age of the respondent is 4 years & 9 months. Then, the relationship age is re-coded in high relationship age and low relationship age based on the number of years of the relationship with MFI. Likewise, Table 1 showed that 67.2 percentages of the respondent belongs to the high relationship age (above 4 years & 9 months) and 32.8 percentages 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). Also from the table, in terms of taking loan from other institution (overlapping loan), majority of the respondents 58.7 percentages taking loan from more than one MFI and 41.3 percentages respondents were taking loan from one MFI.

V. RELATIONAL NORMS

The exploratory factor analysis of the EO scale was conducted by including all the 11 items based on the sample of 409 cases. The factor loading ranged from 0.70 to 0.83. The Cronbach's alpha of relational norms was 0.83. Table 2 shows the mean and standard deviation of relational norms among the respondents. For ease of interpretation, the range of the five point Likert scale was categorized into equal sized categories of low, moderate and high. Therefore, scores of less than 2.33 (4/3 + lowest value 1) is considered as low; scores of 3.67 (highest value 5 - 4/3) is considered high and those in between are considered moderate. It is important to highlight that the respondents tend to have relational norms about the relationship with MFI. This is shown (Table 2) by the mean score of 4.18 on a five point scale. Thus, regard to the level of relational norms orientation, the result shows that the MFI customers' relational norms level is at a high level.

Table 2 Descriptive Statistics of Relational norms

Constructs	N	Number of Items	Mean	Std. Deviation
Relational norms	409	11	4.18	0.72

VI. DISCUSSION

Firstly, the descriptive statistics shows data collected from a sample of MFI customers in Dhaka division, Bangladesh. The descriptive statistics represents that majority of the MFI customers tested in this study are female, this kind of segment can shed light into many facts arises with the gender aspect. Another important aspect of the statistics is that majority of the customers belong to the middle age group. This piece of information is important for MFIs when they plan to target their segments. In terms of relationship age, the result revealed that most of the customers are involved long term relationship with the MFI. This means that they are satisfied of the services offered by the MFIs. Furthermore, the majority of the customers have taken loan from more than one institution. This overlapping may happens mainly for the purpose of enterprise financing (Osmani, Khalily, & Hasan, 2016). Moreover, customers of MFIs are willing to take small loan from different institutions as they are poor people and not capable of handling large amount of cash, let alone larger amount of loan, at once.

The findings of the present study help to strengthen and validate the literature of relational norms. Moreover, the findings also contribute to relationship marketing literature by documenting how MFI management can practice relational norms in a better way to maintain relationship with customer. In addition to that, findings of the present study contribute by extending knowledge about the practice of relational norms in the context of MFI in Bangladesh. The study helps in profiling customers when it comes to their actual behavior as MFI customer. Although this study sheds light on important issues, several limitations must be noted. The most significant limitation for the present study was time-consuming for complete the research. There are many procedures for data collection so limit the figure of respondents for this research since the time is not sufficient

to get more respondents for this study. Thus, future researchers spend more time in data collection. Further, the present study collected data from Dhaka division that hinders the generalizability of the study. On the contrary, it must be acknowledged that these are indeed common constraints of most survey research which has limits in both time and budget.

VII. CONCLUSION

In line with the theoretical insights of relationship marketing the present study brings into light on the role of relational norms in MFI-customer relationship context that might have influence on the success of marketing strategies. Present study entails that, the practice of relational norms in maintaining MFI - customers' relationship is at high level. Specifically, the relationship between MFI and customer is reinforced when the practice of relational norms is at higher level. Moreover, relational norms are suggested to utilize as compensators of contractual governance. Further, a managerial implication of this study is that MFI management should consider relational norms as a major aspect for maintain day -to- day relationship in typical long term contract.

REFERENCES

- [1]. Abdi, M., & Aulakh, P. S. (2012). Do country-level institutional frameworks and interfirm governance arrangements substitute or complement in international business relationships?. *Journal of International Business Studies*, 43(5), 477-497.
- [2]. Aggarwal, P., & Zhang, M. (2006). The moderating effect of relationship norm salience on consumers' loss aversion. *Journal of Consumer Research*, 33(3), 413-419.
- [3]. Balaji, M. S. (2015). Investing in customer loyalty: The moderating role of relational characteristics. *Service Business*, 9(1), 17-40.
- [4]. Cao, Z., & Lumineau, F. (2015). Revisiting the interplay between contractual and relational governance: A qualitative and meta-analytic investigation. *Journal of Operations Management*, 33, 15-42.
- [5]. Cavana, R. Y., Delahaye, B. L., & Sekaran, U. (2001). *Applied business research: Qualitative and quantitative methods*. Australia: John Wiley & Sons.
- [6]. Chen, C., Zhu, X., Ao, J., & Cai, L. (2013). Governance mechanisms and new venture performance in China. *Systems Research and Behavioral Science*, 30(3), 383-397.
- [7]. Dagger, T. S., Danaher, P. J., & Gibbs, B. J. (2009). How often versus how long: The interplay of contact frequency and relationship duration in customer-reported service relationship strength. *Journal of Service Research*, 11(4), 371-388.
- [8]. Elster, J. (2000). Social norms and economic theory. In L. Crothers and C. Lockharts (Ed.), *Culture and politics* (pp. 363-380). USA : Palgrave Macmillan.
- [9]. Faems, D., Janssens, M., Madhok, A., & Van Looy, B. (2008). Toward an integrative perspective on alliance governance: Connecting contract design, trust dynamics, and contract application. *Academy of Management Journal*, 51(6), 1053-1078.
- [10]. Goles, T., & Chin, W. W. (2002). Relational exchange theory and IS outsourcing: developing a scale to measure relationship factors. In R. Hirschheim, A. Heinzl, J. Dibbern (Ed.), *Information systems outsourcing* (pp. 221-250). Berlin, Heidelberg : Springer.
- [11]. Heide, J. B., & John, G. (1992). Do norms matter in marketing relationships?. *The Journal of Marketing*, 56(2), 32-44.
- [12]. Ivens, B. S., & Blois, K. J. (2004). Relational exchange norms in marketing: A critical review of Macneil's contribution. *Marketing Theory*, 4(3), 239-263.
- [13]. Jap, S. D., & Ganesan, S. (2000). Control mechanisms and the relationship life cycle: Implications for safeguarding specific investments and developing commitment. *Journal of Marketing Research*, 37(2), 227-245.
- [14]. Jobber, D. (1989). An examination of the effects of questionnaire factors on response to an industrial mail survey. *International Journal of Research in Marketing*, 6(2), 129-140.
- [15]. Kaufmann, P. J. (1987). Commercial exchange relationships and the "negotiator's dilemma". *Negotiation Journal*, 3(1), 73-80.
- [16]. Kaufmann, P. J., & Stern, L. W. (1988). Relational exchange norms, perceptions of unfairness, and retained hostility in commercial litigation. *Journal of Conflict Resolution*, 32(3), 534-552.
- [17]. Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30(3), 607-610.
- [18]. Macneil, I. R. (1974). Many Futures of Contracts. *Southern California Law Review*, 47(2), 691-816.
- [19]. Macneil, I. R. (1977). Contracts: Adjustment of long-term economic relations under classical, neoclassical, and relational contract law. *Northwestern University Law Review*, 72, 854-902.
- [20]. Macneil, I. R. (1980). *The new social contract: An inquiry into modern contractual relations*. USA: Yale University Press.
- [21]. Macneil, I. R. (1983). Values in contract: internal and external. *Northwestern University Law Review*, 78(2), 340-418.
- [22]. Malhotra, N. (1999). *Marketing Research: An applied orientation* (3rd ed.). New Jersey: Prentice Hall.
- [23]. Microcredit Regulatory Authority (2016). *NGO-MFI in Bangladesh: A Statistical Publication, 2014*. Retrieved from http://www.mra.gov.bd/images/mra_files/Publications/vol_2014.pdf.html
- [24]. Noordewier, T. G., John, G., & Nevin, J. R. (1990). Performance outcomes of purchasing arrangements in industrial buyer-vendor relationships. *The Journal of Marketing*, 54(4), 80-93.
- [25]. Opp, K. D. (2001). How do norms emerge? An outline of a theory. *Mind & Society*, 2(1), 101-128.
- [26]. Osmani, S. R., Khalily, M. B., & Hasan, M. (2016). Dynamics of overlapping in the microcredit sector of Bangladesh (Working Paper No. 51). Retrieved from Institute for Inclusive Finance and Development (InM) <http://inm.org.bd/wp-content/uploads/2016/06/InM-Working-Paper-51.pdf>
- [27]. Othman, H. A., & Amandu Yassin Is'haq, A. (2015). Components of customer retention strategy in mobile telephone industry in Malaysia: Structural equation modeling (SEM). *Global Journal of Management and Business Research*, 15(3), 18-27.
- [28]. Ott, C. M., & Ivens, B. S. (2009). Revisiting the norm concept in relational governance. *Industrial Marketing Management*, 38(6), 577-583.
- [29]. Paswan, A. K., & Young, J. A. (2015). A Validation of Macneil's relational norms in an Indian context. In S. Sidin & A. Manrai (Ed.), *Proceedings of the 1997 world marketing congress* (pp. 484-491). Switzerland: Springer International Publishing.
- [30]. Paulin, M., Perrien, J., & Ferguson, R. (1997). Relational contract norms and the effectiveness of commercial banking relationships. *International Journal of Service Industry Management*, 8(5), 435-452.

- [31]. Paulssen, M., Leischnig, A., Ivens, B. S., & Birk, M. M. (2016). Relational norms in customer–company relationships: Net and configurational effects. *Journal of Business Research*, 69(12), 5866-5874.
- [32]. Roehrich, J., & Lewis, M. (2014). Procuring complex performance: Implications for exchange governance complexity. *International Journal of Operations & Production Management*, 34(2), 221-241.
- [33]. Salkind, N. J. (1997). *Exploring research* (3rd ed.). Upper Saddle River, NJ: Prentice Hall
- [34]. Sekaran, U., & Bougie, R. (2010). *Research method for business: A skill building approach* (5th ed.). Haddington: John Wiley & Sons.
- [35]. Sven Ivens, B. (2006). Norm-based relational behaviours: Is there an underlying dimensional structure?. *Journal of Business & Industrial Marketing*, 21(2), 94-105.
- [36]. Vaaland, T. I., & Håkansson, H. (2003). Exploring interorganizational conflict in complex projects. *Industrial Marketing Management*, 32(2), 127-138.
- [37]. Valta, K. S. (2013). Do relational norms matter in consumer-brand relationships?. *Journal of Business Research*, 66(1), 98-104.
- [38]. Verhoef, P. C., Franses, P. H., & Hoekstra, J. C. (2002). The effect of relational constructs on customer referrals and number of services purchased from a multiservice provider: Does age of relationship matter?. *Journal of the Academy of Marketing Science*, 30(3), 202-216.
- [39]. Wan, L. C., Hui, M. K., & Wyer, R. S. (2011). The role of relationship norms in responses to service failures. *Journal of Consumer Research*, 38(2), 260-277.
- [40]. Woolthuis, R. K., Hillebrand, B., & Nooteboom, B. (2005). Trust, contract and relationship development. *Organization Studies*, 26(6), 813-840.
- [41]. Yang, Z., Su, C., & Fam, K. S. (2012). Dealing with institutional distances in international marketing channels: Governance strategies that engender legitimacy and efficiency. *Journal of Marketing*, 76(3), 41-55.
- [42]. Zaheer, A., & Harris, J. D. (2005). Interorganizational trust. In O. Shenkar & J. J. Reuer (Ed.), *Handbook of Strategic Alliances* (pp. 169-197). USA: Sage.
- [43]. Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2013). *Business research methods* (9th ed.). USA: Cengage Learning.

Shaikh Rafiqul Islam "Customer Profile And Relational Norms Orientation Of Bangladeshi Micro Finance Institution's (MFI's): An Overview "International Journal of Business and Management Invention (IJBMI) , vol. 07, no. 09, 2018, pp. 44-49