

## **Drivers of relationship quality and its impact on customer satisfaction and word of mouth: A Comparative Study of Conventional & Islamic Banks of Pakistan.**

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### **Abstract:**

**Purpose** – *The purpose of this study is to first examine the drivers of relationship quality namely, customer orientation, communications, commitment, staff expertise, online banking & services quality and then determine the impact of relationship quality on customer satisfaction & word of mouth.*

**Design/methodology/approach** – *The model of relationship quality based on literature is developed and tested empirically among customers of conventional & Islamic banks in Pakistan. A structured questionnaire is used in the study. Sample selection was based on a systematic random sampling technique. Data has been analyzed by using AHP & SEM.*

**Findings** – *The results show two factors of customer orientation and three factors of customer commitment are critical factors for Islamic banks whereas in case of conventional banks three factors of customers' orientation and two from communication are critical. The communication and customer commitment in case of Islamic banks and Customer orientation, Communication and staff expertise are builders of relationship quality.*

**Research limitations/implications** – *The sample of 100 each in Islamic and conventional banks is small and the On-line banking service quality is of poor reliability. The management of Islamic and conventional banks should invest on the improvement of*

*the relevant factors and antecedents to enhance the relationship quality.*

**Key words:** Relationship Quality, Customer Orientation, Communications, Commitment, Staff Expertise, Online Banking Services Quality, Customer Satisfaction, Word of Mouth, Conventional & Islamic Banks, Pakistan, AHP, SEM.

## **1. Introduction**

In today's globalized and highly competitive scenario firms are focusing on building relationships with their customers and consider this relationship building activity as vital for the firm's success (Lindgreen, et al., 2006; Crosby et al., 1990; Gronroos, 1990; Gummesson, 1994). Moreover many organizations consider customer relationship management as one of the most important factor for their survival in the new market conditions (Mendoza, et al., 2007; Henning-Thurau et al., 2002). By having strong relationships, firms often enjoy greater customer satisfaction and positive word of mouth (Kim & Cha, 2002). Organization can use service quality to differentiate itself from its competitors thus increasing sales, customer satisfaction and generating positive word of mouth for attracting new customers (Lewis, 1991; Newman, 2001; Caruana, 2002; Wang et al., 2003). Moreover the development of a strong customer relationship can improve customer loyalty, which in turn leads to increased profits for the firm (Reichheld, 1993, Athanassopoulou, 2006). The area of relationship marketing has attracted the attention of many researchers because of its importance (Morgan & Hunt, 1994). Sheth & Parvatiyar (1995) suggested that relationship marketing is more inclined towards building stronger relationship between firm and customers in comparison with transactional marketing. In order to build strong relationships with the customers, a firm needs to understand the customer needs and preferences and satisfying them better than their competitors (Sohal, 2002) thus high quality firm-customer

relationship will provide the firm with the required competitive edge. Relationship quality ensures that firm should be close enough to customers to sense and respond their needs more effectively which will hold the customers loyal with that particular firm with whom they are having good relationships (Nelson OlyNdubisi, 2007). Despite the importance of relationship quality in satisfying the existing customers and attracting new ones by generating positive word of mouth limited research has been done to explore this area. Crosby et al. (1990), Wray et al. (1994), Smith (1998), Shamdasani and Balakrishnan (2000), Lages et al. (2005), Kim et al. (2006), Macintosh (2007), Wong et al. (2007), Cheng et al. (2008) and Rajaobelina and Bergeron (2009) are among the few researchers who studied and examined the relationship quality. But all of these works are not without limitations. For example many researchers like Crosby et al. (1990), Wray et al. (1994), Shamdasani and Balakrishnan (2000), Kim et al. (2006), Macintosh (2007), Wong et al. (2007) and Cheng et al. (2008) operationalized relationship quality in terms of only trust and satisfaction while Smith (1998) added commitment and Lages et al. (2005) used communication & long-term orientation. Due to the lack of sufficient research on this topic and particularly in the banking sector there are certain questions which need to be answered related to the firm-customer relationship quality. Moreover banking and financial services is important part of the services industry (Mishkin, 2001). For financial services companies, tough competition forces them to maintain good relationships with their customers as it is five times more expensive to acquire new customers than to keep existing ones (Athanasopoulou, 2006). Delivering quality service and products to the customer, is essential for success and survival in today's global and highly competitive banking environment (Wang et al., 2003). So to remain in competition and gain competitive edge over the competitors what are some key antecedents of relationship quality other than trust,

communication? Do dimensions like customer orientation, communication, staff expertise, online banking services quality underpin the relationship marketing strategy? Do these unexplored dimensions are important in creating satisfaction and generating PWOM? So there is a need to examine comprehensive list of key relationship marketing underpinnings as antecedents of relationship quality like customer orientation, communication, staff expertise, online banking services quality and commitment to answer the above mentioned questions which will help the bank employees at all levels to build relationships with their customers. Moreover this area has not been explored in Pakistani context where the competition is not only intensifying among conventional banks but all the conventional banks are facing tough competition from Islamic banks. This situation has resulted into more competitive environment in Pakistani banking sector where 13 conventional & 6 full fledged Islamic banks are offering the products and services according to principles of Sharia'h in different parts of the country. To cope up with this market situation banks are more focusing on finding the needs & preferences of customers and building stronger relationships which will not only help them to attract new customers but also to retain the current customers for longer periods of time (Ahmad et al., 2010).

In the next section, relevant literature leading to the specific research hypotheses has been presented. This is followed by discussions of the research method and results of the empirical study conducted in Pakistani conventional and Islamic banks. In the end conclusion is there along with the implications of the results and avenues for future research.

## **2. Literature Review**

The relationship marketing was first introduced by Berry in 1983. He defined it as “attraction, maintenance & enhancement

of customer relationship” (Bendapudi & Berry,1997).Since 1983, many researchers published articles in journals like Morgan & Hunt (1994), Crosby et al. (1990), Wong (2007), Perrien et al. (1999) , Rajaobelina, Jasmin Bergeron, (2009) & so on. A number of researchers predicted that relationship marketing practices will continue to evolve in future. The increased interest in relationship quality is due to strong influence of customer orientation, staff expertise, customer commitment, customer knowledge & communication etc.& ultimately the impact of this relationship quality on customer satisfaction & generation of positive WOM.

### ***2.1 Customer orientation***

Narver and Slater (1990) & Hennig-Thurau (2004) suggested that customer orientation is basically the seller’s ability to understand the needs of target buyers so that superior value can be created for them continuously. Firms which focus their activities on the needs of their customers, i.e. behave in a customer-oriented way, perform better than those companies that do not (Donavan et al., 2004; Hennig-Thurau, 2004). Customer orientation was first developed in personal selling management and is often thought as an indicator of the quality of buyer-seller relationships (Cheng et al., 2008). Saxe and Weitz (1982) defined customer orientation as a practice of helping the customers in making their purchase decision which will satisfy their needs. Customer orientation is necessary for an organization to become market oriented (Brown et al., 2002). Moreover they describe customer orientation as a personality variable that reflects the service seller’s disposition to meet customer needs. A pillar of a customer-orientation approach is that salespeople must understand customers’ needs, expectations, and concerns (Saxe and Weitz, 1982). Salespeople that are customer oriented are concerned with satisfying their needs better than would their competitors (Wray et al., 1994). Bejou et al. (1996) investigated the antecedents of relationship

quality and found that the degree of customer orientation has a significant impact on the relationship quality.

H1. Customer orientation is positively related to relationship quality.

## **2.2 Communication**

Communication refers to the ability to provide timely and trustworthy information. Both content and style in communication are important in building quality relationship with customers. Moorman *et al.* (1993) found that timely communication is required to assist clients about the latest developments in the market and removing the misconceptions thus enhancing the trust. Communication is also about mutually sharing of information. Derlega *et al.* (1987) argued that mutual disclosure behavior is essentially required in establishing and maintaining interpersonal relationship. Morgan and Hunt (1994) suggested that for building a strong relationship an easy flow of communication is necessarily required. In effective communication, frequency also matters. Contact intensity reflects an effort on the part of the salesperson (banking service provider) to keep the communication channels open with the customer and exhibit a commitment to the relationship (Williamson, 1983). Efforts to “stay in touch” with the customer have been identified as a key determinant of relationship maintenance in wholesale banking (Greenwich Associates, 1987; Crosby *et al.*, 1990). Berry (1995) also insisted on open, sincere and frequent buyer-seller communication to improve the quality of the relationship which will encourage customer retention. Anderson and Narus (1990) suggested that communication is not only limited to pre-selling or selling stage but it is also required for post-selling stage as well.

Communications in relationship marketing means providing information that can be trusted; providing information on service; fulfilling their promises; and providing

information if delivery problem occurs (Ndubisi and Chan, 2005). It is the communicator's task to build awareness, build consumer preference by promoting quality, value, performance and other features, convince interested buyers, and encourage them to make the purchase decision. Communication can also be used for removing the dissatisfaction from the customers (Ndubisi and Chan, 2005). Clark (1992); Stewart (1992); and Headley (1992) found that communication is an important characteristic for achieving high perceived service quality. Moreover, relationship quality can be improved by informing the bank customers about the current and future activities of the bank. So it can be hypothesized that communication is expected to have a strong and positive influence on the relationship between bank and its customers.

H2. Communication is positively related to relationship quality.

### ***2.3 Commitment***

Anderson and Weitz (1992) defined commitment as the confidence in the solidity of a relationship. Dwyer et al., (1987) suggested that commitment is basically the highest level of the relational bond. Moreover this highest level of the relational bond takes place when one party considers the relationship to be sufficiently important to expend maximum effort to maintain it indefinitely (Dwyer et al., 1987; Moorman et al., 1992; Morgan and Hunt, 1994). Commitment is thought to be a central expectation or norm within business relationships (Ndubisi, 2005). Doney et al. (2007) refer to 'loyalty commitment', defined as the sense of unity that binds buyers and suppliers based on the degree of obligation a buyer feels towards the supplier, concerned with problems of emotional content and with the preservation and recognition of the traditional values of the ongoing relationship. Commitment plays a key role in stability of any relationship including buyer-seller relationships (Morgan and Hunt, 1994). Moreover authors like Morgan and Hunt (1994) & Ndubisi and Wah

(2005) found that commitment is an important antecedent of relationship quality. So it can be hypothesized that commitment is expected to have a strong and positive influence on the relationship between bank and its customers.

H3. Commitment is positively related to relationship quality.

### ***2.4 Staff Expertise***

Staff expertise is basically the service provider's level of knowledge and experience about the product or service. Crosby et al. (1990) found that an insurance salesperson's expertise has a significant effect on relationship quality. Experienced and knowledgeable employees can reduce customers' perceived uncertainty and anxiety, which may lead to higher customer satisfaction and trust.. Other research suggests that expertise is perhaps the most important antecedent of trust (e.g. Doney and Cannon, 1997; Moorman et al., 1993) and has been found to be related to satisfaction at the individual level (Macintosh, 2002). Trust is premised in the customer confidence in the ability of the service provider to deliver, which is captured in their perceptions of expertise (Moorman et al., 1993). Expertise of contact person is a significant antecedent of relationship quality (Crosby et al., 1990; Nelson OlyNdubisi, 2007). So it can be hypothesized that Staff expertise is expected to have a strong and positive influence on the relationship between bank and its customers.

H4. Staff expertise is positively related to relationship quality.

### ***2.5 Online Banking Services Quality***

Jun et al. (2004) suggested that internet has been the source of improved service provision in service industries particularly in banking sector. Tough competition among banks expanded the scope of competition to an e-environment with internet banking services (Gonzalez et al., 2004). The banks are trying to retain their customers with the provision of quality internet banking services (Jenkins, 2007). Mols (2000) concluded that banks can



build and maintain strong relationships with their customers by providing them internet banking facilities of good quality (DeYoung et al., 2007). Rust (1999) has concluded that many opportunities have been created by the enhancement of information system. From the customer perspective, research has shown that consumers benefit from internet banking in respect to enhanced control, ease of use, and reduced transaction charges (Unsal and Movassaghi, 2001). But in some other cases it has also been found that it is not necessary for online banking to create a positive impact on relationship quality. Moreover that impact can either be a negative or even negligible as well (Bado Lang & Mark Colgate, 2003). Many authors like Curry and Penman (2004), Partricio et al. (2003) & Yang and Fang (2004) found that internet banking service quality enhance relationship between customers & banks thus enhancing the overall customer satisfaction. So it can be hypothesized that Online banking service quality is expected to have an influence on the relationship between bank and its customers.

H5. Online banking service quality is related to relationship quality.

## ***2.6 Relationship Quality***

Relationship quality has been defined as a bundle of intangible values resulting in an expected long-term relationship between related parties (Levitt, 1981; Zineldin, 2000; Fruchter and Sique', 2005). Hennig-Thurau and Klee (1997) found that relationship quality is basically degree of appropriateness of a relationship to fulfill the needs of the customer. Crosby et al. (1990) argued that strength in relationship quality comes from trust and satisfaction. Relationship quality refers to a customer's perceptions of how well the whole relationship fulfills the expectations, predictions, goals, and desires the customer has concerning the whole relationship (Jarvelin and Lehtinen, 1996). It plays a critical role in the study of long-term

relationship maintenance (Finn, 2005). A strong relationship is an intangible asset, which cannot be easily duplicated by competitors (Wong et al., 2007). Trust has emerged as one of the main factors which play an important role in influencing a customer to develop and maintain relationship with the service provider (Liang and Wang, 2006; Shekhar and Gupta, 2008). Moreover satisfaction is considered to be the outcome of quality relationship (Liang and Wang, 2006).

Still today there is no consensus concerning the antecedents and the consequences of the relationship quality. In Crosby et al. (1990) study, the consequences of relationship quality were not significant. Also, Wray et al. (1994) did not consider the relationship quality consequences. Finally, although the consequences of relationship quality were covered in Wong et al.'s (2007) work, only the information sharing was treated as an antecedent. Therefore, this study fills the gap by considering most of the antecedents and consequences. Moreover relationship quality from the customers' perspective has received attention by researchers during the last decade but few studies explored this phenomenon in two different formats of banking sector (Conventional & Islamic).

### ***2.7 Customer satisfaction***

Customer satisfaction is one of the important outcomes of marketing activity (Oliver, 1980; Surprenant and Churchill, 1982; Spreng et al., 1996; Mick and Fournier, 1999). Customer satisfaction is generally described as fully meeting their expectation and is the feeling or attitude of a customer towards a product or service after it has been used (Oliver, 1980). Likewise, many researchers (Oliver, 1981; Brady and Robertson, 2001) conceptualize customer satisfaction as an individual's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations.

Customer satisfaction has been considered the essence of success in today's highly competitive banking industry. Prabhakaran and Satya (2003) mentioned that the customer is the king. Heskett et al. (1997) argued that profit and growth are stimulated primarily by customer loyalty. Ndubisi (2005), Gee et al. (2008) and Pfeifer (2005) pointed out that the cost of serving a loyal customer is five or six times less than a new customer. Several researchers including Tariq and Moussaoui (2009), Han et al. (2008) and Ehigie (2006) found that loyalty is a direct outcome of customer satisfaction. Generally speaking, if the customers are satisfied with the provided goods or services, the probability that they use the services again increases (East, 1997). Also, satisfied customers will create positive word of mouth by talking enthusiastically about their buying or the use of a particular service (File and Prince, 1992; Richens, 1983). On the other hand, dissatisfied customers will most probably switch to a different brand; this will lead to negative advertising (Nasserzadeh et al., 2008). The significance of satisfying and keeping a customer in establishing strategies for a market and customer oriented organization cannot be ignored (Kohli and Jaworski, 1990). So it can be hypothesized that relationship quality is expected to have a strong and positive influence on customer satisfaction.

H6. Relationship quality is positively related to customer satisfaction.

### ***2.8 Word of mouth***

Westbrook (1987) has defined Word-of-mouth (WOM) communication as informal way of communicating the consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers". This type of communication is perceived as being more neutral and less biased than other tools of marketing communication (Herr et al., 1991). Brown et al. (2005) concluded that WOM communication includes information regarding the company,

brand etc transferred from one individual to another. Various researchers like Gremler, (1994) & Heskett et al. (1997) have shown that the impact of WOM is particularly important in services. Moreover previous researches support a linkage between satisfaction with the firm and positive word-of-mouth about the firm (File et al., 1994; Hennig-Thurau et al., 2002). Hence word-of-mouth is a key outcome of service relationship (Hennig-Thurau et al., 2002). Collier and Bienstock (2006) suggested that making the existing customers to provide referrals should be one of the effective ways to add new business as this referral from a customer can increase the opportunities for salesperson to reach those who were previously unreachable prospects. When the quality of relationship is high, customers are more willing to recommend the seller's offerings to colleagues and their purchasing increases from that particular seller (Huntley, 2006). Maintaining high-quality relationships with customers appears to increase their willingness to provide referrals (Finn, 2005). Various researchers like Arndt (1968), Basuroy et al. (2006) & Reichheld and Sasser (1990) have found a positive impact of WOM on sales while Reichheld and Sasser (1990) found the impact of WOM on profits. Moreover Schmitt et al. (2011) found that customers who joined a company because of WOM are more profitable. All these findings suggest that companies should try to satisfy their customers in order to maximize the WOM so that their business can attract more customers as many researchers found that Customer satisfaction has emerged as a key antecedent of WOM (Anderson, 1998; Babin et al., 2005; de Matos and Rossi, 2008; File and Prince, 1992).

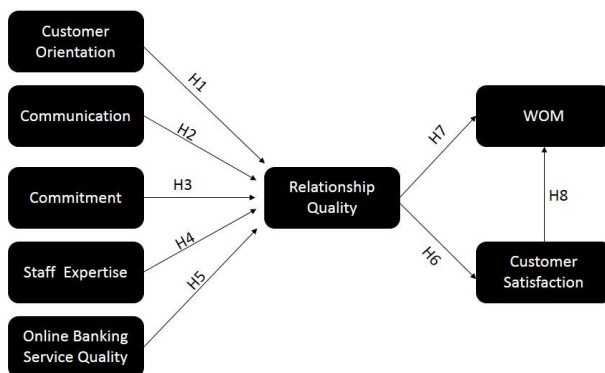
So it can be hypothesized that relationship quality is expected to have a strong and positive influence on the word of mouth & customer satisfaction is expected to have a strong and positive impact on word of mouth.

H7. Relationship quality is positively related to word of mouth.

H8. Customer satisfaction is positively related to word of mouth.

So based upon these hypotheses and after reviewing all the relevant literature, a model has been formulated that depicts some of the key antecedents of relationship quality. This model is tested in the context of the Pakistani conventional and Islamic banking. This model clearly indicates the efforts of the researchers to determine some key features which contribute towards building a sustainable relationship between banks and the customers.

### Proposed Conceptual Frame Work:



## 3. Research Methodology

### 3.1 Sampling & Data Collection

To conduct the study **10 banks were selected from four major cities of Pakistan (Multan, Lahore, Faisalabad and Islamabad)**. Out of the 10 banks, five banks were Islamic and five were conventional. These cities were selected because they are the major business hubs plus the customers here are more well educated, informed and quality conscious. So the population of the study was the customers of conventional & Islamic banks operating in Pakistan. A systematic random

sampling technique has been used to survey every other (fifth) customer that entered the bank. This sampling technique has many advantages over other techniques for conducting this type of study. Out of 220 customers of both conventional & Islamic banks who participated in the study, 200 usable responses have been received.

### ***3.2 The Questionnaire***

Questionnaire was designed on the 7 point likert scale, multiple choices and open ended. 1 being **strongly agree** and 7 being **strongly disagree**. The survey questionnaire was adopted from different studies done earlier by different scholars. Customer orientation (four items), communication (four items), expertise (five items) were adopted from Fornell et al. (1996) & Gustafsson et al. (2005). Online banking service quality (thirteen items) was adopted from Nicholas et al. (2008). Relationship quality (five items) was been adopted from Churchill & Surprenant (1982) and Oliver (1980). Customer satisfaction (five items) was been adopted from Garbarino and Johnson (1999). Word of mouth (seven items) was adopted from Katz and Lazarfeld (1955), Richins (1983) & Hennig-Thurau et al. (2004)

AHP is applied to find out the critical factors of antecedents of relationship quality so that the improvement of these factors will enhance the relationship quality. Secondly the t-test is used to see the comparison of various dimensions of relationship quality for Islamic & conventional banks. Thirdly correlation coefficients are used to check the relationship among various dimensions of relationship quality. Finally SEM (multiple regression model) is employed to see the relationship among constructs.

#### **4. Results**

The descriptive statistics of different antecedents of relationship quality/customer satisfaction and word of mouth are listed in table 1.

The mean values of these antecedents, customer orientation for Islamic and Conventional banks are 1.51 and 1.40 respectively. This difference is significant ( $p=0.033$ ) which indicates that there is more emphasis on customer orientation in conventional banks as compare to Islamic banks. In the case of Islamic banks, the customer orientation is best among indices of all dimensions of antecedents of relationship quality. Whereas indices for customer orientation, customer commitment, and staff expertise are best in case of conventional banks. The customer commitments and staff expertise indices for Islamic and Conventional banks are statistical significant ( $p=.000$ ,  $p=.000$ ). The values for customer commitment for Islamic and conventional banks are 1.84 and 1.31 respectively. Similarly these values for staff expertise are 1.84 and 1.39 for Islamic and conventional banks respectively. The indices for online banking service quality for Islamic and commercial banks are 2.04 and 2.37 respectively. The differences of these indices are statistically significant. The customers of Islamic bank rate more for this dimension as compared to conventional banks. However the online banking service in Pakistan is at the primitive stage. Therefore, the customers rate this online banking very low. The indices for communication for both type of banks is very similar and those values are 1.84 and 1.85 and the difference is insignificant.

**Table 1. Comparison of mean of different Antecedents of Relationship Quality**

	Islamic banks		Conventional banks		Difference between mean	
	Mean	SD	Mean	SD	t	P-value
Customer orientation	1.508	0.382	1.404	0.292	2.149	0.033
Communication	1.844	0.409	1.848	0.414	-0.054	0.957
Commitment	1.839	0.421	1.312	0.280	10.400	0.000
Staff expertise	1.839	0.448	1.393	0.294	8.276	0.000
Online banking service quality	2.039	0.543	2.367	0.561	-4.203	0.000
Relationship quality	1.935	0.478	1.912	0.425	0.360	0.719
Customer satisfaction	1.723	0.437	1.555	0.338	3.041	0.003
Word of mouth	1.782	0.386	1.701	0.356	1.529	0.128

To see the contribution of different antecedents of relationship quality we applied the correlation technique and checked the problem of multi-colinearity among all these dimensions through Pearson correlation co-efficient. No correlation co-efficient among these dimensions exceeds 0.7 for both Islamic and conventional banks. Therefore this problem does not disturb the use of regression (Anderson et al 1990). The Pearson correlation coefficients between different dimensions of antecedents of relationship quality are listed in table 2(a) and table 2(b) for Islamic and conventional banks respectively.

The highest contribution is coming from the staff expertise toward the antecedents of relationship quality in case of Islamic banks ( $p=.000$ ,  $r=0.588$ ). It has significant positive relationship with customer commitment ( $p=.001$ ), customer orientation ( $p=.010$ ) and communication ( $p=.039$ ), but negativity related with online banking service quality ( $p=.094$ ). Whereas staff expertise contributions is significant ( $p=0.000$ ,  $r=0.775$ ) in case of conventional banks after the communication ( $p=0.000$ ,  $r=0.775$ ) and customer orientation ( $p=0.000$ ,  $r=0.509$ ) towards antecedents of relationship quality. In this case it is



significant positively related with the commitment of customers ( $p=0.005$ ,  $r=0.280$ ) and no relationship with other dimensions. As a one of core dimension, we see that the customers of Islamic banks rated it poorly. It influences the customer orientation, communication, and customer commitment which ultimately will drive to improve the relationship quality. Whereas in case of conventional bank, this staff expertise is quite satisfactory and the indices of customer commitment and customer orientation are also of satisfactory level.

The customer orientation is the second core factor contributing toward the antecedents of relationship quality in both Islamic and conventional banks ( $p=0.000$ ,  $r=.5046$ ,  $p=0.000$ ,  $r=0.509$ ). This dimension is significantly positive related to communication ( $p=.006$ ) and staff expertise ( $p=0.010$ ) in Islamic banks and for conventional banks, its relationship with communication ( $p=.026$ ) and commitment ( $p=.000$ ) which leads to the investment in staff expertise and communication will improve the relationship quality.

The online banking service quality is the last in the contribution towards the antecedents of relationship quality ( $p=.001$ ) for Islamic banks and ( $p=0.152$ ) for conventional banks. For Islamic bank this dimension has significant negative relationship with staff expertise ( $p=0.094$ ) and communication ( $p=.018$ ) and in case of conventional banks with communication ( $p=.000$ ) and customer commitment ( $p=.022$ ). The management may investment to improve the quality of online banking service and can save the investment on the enhancement of staff expertise.

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**Table 2 (a)**

		Correlations Coefficients between antecedents of RQ(Islamic Banks)					Online Banking Service Quality	Overall
		Customer Orientation	Commitment	Commitment	Staff Expertise			
Customer Orientation	Pearson Correlation	1						
	Sig. (2-tailed)							
Commitment	Pearson Correlation	.272**	1					
	Sig. (2-tailed)	.006						
Commitment	Pearson Correlation	.006	.265**	1				
	Sig. (2-tailed)	.953	.007					
Expertise	Pearson Correlation	.255**	.205*	.323**	1			
	Sig. (2-tailed)	.010	.039	.001				
Online Banking Service Quality	Pearson Correlation	-.144	-.235*	-.115	-.167	1		
	Sig. (2-tailed)	.149	.018	.248	.094			
Overall	Pearson Correlation	.546**	.437**	.508**	.588**	.330**	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.001		

\*\* . Correlation is significant at the 0.01 level (2-tailed). \* . Correlation is significant at the 0.05 level (2-tailed).

**Table 2(b)**

		Correlations Coefficients between antecedents of RQ (Conventional Banks)					Online Banking Service Quality	Overall
		Customer Orientation	Communication	Commitment	Staff Expertise			
Customer Orientation	Pearson Correlation	1						
	Sig. (2-tailed)							
Communication	Pearson Correlation	.224*	1					
	Sig. (2-tailed)	.026						
Commitment	Pearson Correlation	-.395**	.208*	1				
	Sig. (2-tailed)	.000	.040					
Staff Expertise	Pearson Correlation	-.105	.141	.280**	1			

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	Sig. (2-tailed)	.304	.166	.005			
Online Banking Service Quality	Pearson Correlation	.074	-.369**	-.231*	-.021	1	
	Sig. (2-tailed)	.467	.000	.022	.834		
	Pearson Correlation	.509**	.775**	.293**	.460**	-.146	1
Overall	Sig. (2-tailed)	.000	.000	.003	.000	.152	

\*. Correlation is significant at the 0.05 level (2-tailed). \*\*. Correlation is significant at the 0.01 level (2-tailed).

AHP is applied on the dimensions of antecedents of relationship quality and global weights are computed. The results indicate that the five factors, three from the customers' orientation and one each from customers' commitment and communication are the critical factors. The management of Islamic banks should make efforts to improve these factors to enhance the relationship quality. The results for conventional banks are similar except the customer commitment is replaced with the staff expertise. The global weights are listed in table 3.

**Table 3. Critical factors for the Antecedents of Quality Relationship**

Antecedents	Critical Factors for the Antecedents of Relationship Quality	Islamic Banking	Conventional Banking
Customer Orientation	Do the employees have a proper knowledge about the products and services?	0.115538	0.134212
Commitment	Are employees flexible in serving needs?	0.077145	0.043968
Commitment	Are employees making the proper adjustments to suit customer's needs?	0.070623	0.032205
Commitment	Are employees offering personalized services to meet customer's needs?	0.069575	0.030494
Customer Orientation	Do employees take interest being as a customer in mind?	0.065700	0.081339
Communication	Do employees provide information about new banking services?	0.031151	0.091651
Communication	Are employees providing the timely information about the changes in products and services?	0.040089	0.079130
Customer Orientation	Do the employees solve your problems efficiently?	0.045140	0.071977

The impact of different dimensions of antecedents of relationship quality is measured qualitatively on relationship quality. The results are shown in table 4. The communication (R=0.16, P=0.000), commitment (R=0.048, p=0.027) and

customer orientation ( $R=0.035$ ,  $p=0.060$ ) are significantly positive relationship with relationship quality and on-line banking service quality ( $R=0.058$ ,  $p=0.015$ ) negatively related, whereas staff expertise ( $R=0.012$ ,  $p=0.283$ ) has no relationship in case of Islamic banks. In case of conventional banks the communication ( $R=0.115$ ,  $p=0.001$ ), Customer orientation ( $R=0.030$ ,  $p=0.086$ ) are positively related with relationship quality and on-line banking service quality is strongly negatively related with relationship quality. But the Customer commitment has no relationship.

**Table 4.**

Regression Coefficients of antecedents of RQ		Islamic Banking			Conventional Banking		
Independent Variable	Dependent Variable	R <sup>2</sup>	$\beta$	P-value	R <sup>2</sup>	$\beta$	P-value
Customer Orientation	Relationship Quality	0.035	0.234	0.600	0.030	0.254	0.086
Communication	Relationship Quality	0.160	0.468	0.000	0.115	0.348	0.001
Commitment	Relationship Quality	0.048	0.249	0.027	0.002	-0.061	0.692
Expertise	Relationship Quality	0.012	0.114	0.283	0.027	0.239	0.104
Online Banking Service Quality	Relationship Quality	0.058	0.212	0.015	0.082	-0.217	0.004
Relationship Quality	Customer Satisfaction	0.058	0.221	0.014	0.003	-0.043	0.601
Relationship Quality	WOM	0.117	0.276	0.000	0.228	0.398	0.000
Customer Satisfaction	WOM	0.050	0.198	0.024	0.002	0.046	0.667

### ***SEM (Multiple Regression Modeling) for Conventional & Islamic Banks:***

Linear regression in SEM helps to find out the relationship between independent & dependent variables (Hooper, Coughlan, & Mullen, 2008). Linear regression analysis with the help of AMOS version 19 is done to find the relationship between all the variables which are dependent on each other to analyze the significance of relationship between the variables as shown in table 5 for Conventional & Islamic Banks. Significance level is 0.05 or below in regression analysis. H1 is customer orientation has a significant positive affect on relationship quality. Results suggested that for conventional & Islamic banks customer orientation has insignificant relationship with relationship quality with p-value  $0.368 > 0.05$  &  $0.336 > 0.05$  respectively. So H1 is not supported for both the

conventional & Islamic banks. H2 is communication has a significant positive affect on relationship quality. For both conventional & Islamic banks communication has a significant positive affect on relationship quality with p-value 0.024 & 0.001 <0.05 respectively. P-values & standard estimates suggested that communication has more impact on relationship quality for Islamic banks than conventional banks as standard estimated value for Islamic banks is greater than conventional banks as shown in table 5. So H2 is supported for both Islamic & conventional banks. H3 is commitment has a significant positive affect on relationship quality. For both conventional & Islamic banks H3 is not supported as p value 0.143 & 0.164 >0.05. H4 is staff expertise have a significant positive affect on relationship quality. Results suggested that staff expertise are somewhat significantly & positively related to relationship quality with p-value 0.056 & standard estimate .262 while p-value for Islamic banks is 0.621 >0.05. So H4 is supported for conventional banks but not supported for Islamic banking. H5 is online banking service quality has effect on relationship quality. For conventional banks p-value 0.014<0.05 with standard estimate of -0.181 which suggests that online banking service quality has negative impact on relationship quality so it supports H5 for conventional banks. For Islamic banks H5 is not supported as p-value 0.111>0.05. H6 is relationship Quality has a significant positive affect on customer satisfaction. Results suggested that for Islamic banks H6 is supported as p-value 0.012<0.05 with standard estimate 0.221. While for conventional banks H6 is not supported as p-value 0.600>0.05. H7 is relationship Quality has a significant positive affect on WOM which is supported for both Islamic & conventional banks with p-value 0.00<0.05. Standard estimates suggested that for conventional banks relationship quality has more impact on word of mouth than Islamic banks as shown in table 5. H8 is customer satisfaction has a significant positive affect on

WOM.H8 is not supported for conventional but supported for Islamic banks as p-value 0.222 & 0.100 >0.05.

**Table 5.**

SEM(Multiple Regression Model)			Conventional Banking		Islamic Banking	
			Standard Estimate	P-Value	Standard Estimate	P-Value
Relationship Quality	<--	Customer Orientation	0.139	0.368	0.115	0.336
Relationship Quality	<--	Communication	0.243	0.024	0.368	0.001
Relationship Quality	<--	Commitment	-0.239	0.143	0.152	0.164
Relationship Quality	<--	Staff Expertise	0.262	0.056	-0.052	0.621
Relationship Quality	<--	Online Banking Service Quality	-0.181	0.014	-0.129	0.111
Customer Satisfaction	<--	Relationship Quality	-0.043	0.600	0.221	0.012
WOM	<--	Relationship Quality	0.325	0.000	0.252	0.000
WOM	<--	Customer Satisfaction	0.104	0.222	0.127	0.100

## 5. Discussion & Conclusion:

This paper described the antecedents of relationship quality & its impact on the customer satisfaction & word of mouth. For this purpose comparative study is conducted for Islamic & conventional banks. The results of research study showed mixed trend with respect to consistency of findings of model & previous studies (Morgan & Hunt, 1994; Ndubisi et al, 2007; Ndubisi&Wah 2005; Tohidinia & Haghghi 2011; Rajaobelina & Bergeron 2009). Communication and commitment are found to be positively related to relationship quality in Islamic banks. Communication and staff expertise are found to be positively related to relationship quality in conventional banks.

The results of AHP in Islamic banks show that among five critical factors, two belongs to customer orientation & three to customer commitment; namely “Do the employees have a proper knowledge about the products and services?” & “Do employees take interest being as a customer in mind?” for customer orientation and “Are employees flexible in serving needs?, Are employees making the proper adjustments to suit customer’s needs?&Are employees offering personalized services to meet customer’s needs?” For customer commitment.

We have observed that in Islamic banks, staff expertise is very poor in building the relationship quality with the customers in comparison with the conventional banks. Therefore the managers of Islamic banks are required to invest heavily in staffing, recruitment and training of their employees in order to make them more competent. Managers should consider these findings while doing the hiring process and even afterwards in order to select those employees who are high in customer orientation as this thing will help them a lot in building strong relationships with customers not only in short run but also in long run by creating and maintaining interest in customers about the products & services of the bank. Moreover knowledge of employees regarding the offerings of Islamic banking will also contribute towards building relationships if employees are also able to communicate their knowledge in a better way to their customers. So good communication skills are necessarily required. Training & coaching of employees after the hiring process also contribute a lot towards relationship building. It can be summarized here that by keeping in mind the interest of customers, employees will be able to better serve the needs of their customers which will ultimately enhance the commitment level of the customers with the banks.

In addition to this communication is the major or rather the only dimension which significantly build the relationship quality ( $p = 0.001$ ) & customer commitment to some extent enhance this relationship quality ( $b = 0.16$ ), whereas the staff expertise do not enhance relation quality and this final finding also supports the stance for investment of effort and time in staff expertise. The meaningfulness of providing the information is of high importance (Anderson & Harris, 1990) and this can only be possible if the staff is competent, have the complete knowledge of Islamic banking and strong in communication. The customer satisfaction has significant positive relationship with positive word of mouth. This finding is in line with previous studies which stated that higher the

customer satisfaction, higher the customers positive word of mouth (Ranaweera&Prabhu, 2003).

In conventional banks the results of AHP show that among the five critical factors, three belongs to customer orientation and two to communication, namely “Do the employees have a proper knowledge about the products and services? Do the employees solve your problems efficiently? Do employees take interest being as a customer in mind?” and two factors namely “Are employees providing the timely information about the changes in products and services? and Do employees provide information about new banking services?” belongs to Communication.

The communication and staff expertise are significant in building the relationship quality whereas the customer orientation and customer commitment have no relationship. The management of the conventional banks should make investment in developing their employees in term of their competencies in good communication skills and building interpersonal relationship attitude. Further the online banking service quality is having negative impact on relationship quality. The customer satisfaction is not related to relationship quality and also positive word of mouth is not influenced from the satisfaction of customers however positive word of mouth has stronger relationship with relationship quality. From here it can be concluded that customer satisfaction alone may not be enough to foster positive word of mouth.

The customers of Islamic banks are significantly less satisfied as compared to conventional banks. The main reason for the dissatisfaction of customers of Islamic banks is due to the incompetency of staff & poor knowledge of sharia & misconception of Islamic banking system in Pakistan.

This study also has some limitations such as online banking service quality is poor in discriminant validity & reliability as sample size is small (100 for each banking sector). Further research can be conducted by extending current model



with other antecedents e.g. client knowledge, similarity, & relationship value etc.

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Farhan Hussain Shah, Beenish Tariq- **Drivers of relationship quality and its impact on customer satisfaction and word of mouth: A Comparative Study of Conventional & Islamic Banks of Pakistan.**

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