

Service Quality, Customer Loyalty, and Bank Customer Satisfaction in Namlea City

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ABSTRACT

For consumer-oriented companies, consumer satisfaction is the company's target to create consumer loyalty. The company's success does not focus solely on customer satisfaction because there is no guarantee that a satisfied customer will repurchase from a company. Companies should be able to make consumer satisfaction as the initial goal in order to achieve consumer loyalty (customer loyalty) in competition with other companies that are competing to offer their products to their consumers. This study aims to determine the effect of customer service quality on bank customer satisfaction. This research is a descriptive quantitative research. The objects in this study are customers at banks in the city of Namlea, Buru Regency, namely customers at Bank BRI, Bank Mandiri, Bank BNI. The research period lasted for three months, namely February - March 2020. The data collection techniques used were observation, questionnaires, interviews, and documentation. The data analysis technique in this study uses XLSTAT PLSPM 2013 software. The results indicate that with good service quality from the bank it will be able to provide satisfaction to the bank's customers. These results indicate that customers who are satisfied with bank services will pay attention to service quality, this is indicated by a significant coefficient value and has a positive effect.

Keywords

Service Quality; Satisfaction; Bank Customers

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Introduction

Today's technological developments can increase competition between financial service companies. The high level of competition that occurs requires banks to have the right strategy in achieving their goals. Given that the presence of consumers is an important factor in achieving goals, the bank realizes how central the role of consumers is. Service quality is the result of a comparison between consumer expectations and perceptions of the services received from the company. Perfect service quality can be achieved if consumer expectations can be met by the services provided by the company. Good service is often assessed by consumers directly from employees as people who serve or are also referred to as service producers, because it requires efforts to improve the quality of the service system provided in order to fulfill the desires and increase customer satisfaction. So the quality of service is an important thing that must be considered by companies in order to achieve customer satisfaction.

To be able to retain consumers, companies must provide full response to consumer complaints. The company's behavior and responses to consumers should be taken seriously by paying attention to the hidden things that lie behind consumer behavior. Companies must be careful in dealing with the nice customer phenomenon, namely consumers who never complain about anything and whatever the service they get but never returns.

Consumer loyalty is consumer loyalty to an item or service by continuously repurchasing the goods or service. For consumer-oriented companies, consumer satisfaction is the company's target and tips to create consumer loyalty. The company's success does not focus solely on customer

satisfaction, because there is no guarantee that a satisfied customer will repurchase from a company. Companies should be able to make customer satisfaction (consumer satisfaction) as the initial goal in order to achieve consumer loyalty (customer loyalty) in competition with other companies that are competing to offer their products to their consumers.

The Maluku Regional Development Bank (Bank Maluku) is a pioneering bank that entered the city of Namlea in 1996 where at that time Namlea was still a sub-district of Central Maluku Regency. Until now, Bank Maluku has 4 sub-branch offices spread across 4 sub-districts in Buru district. Then in 1998 BRI entered the City of Namlea. In 2002, along with the division of Buru Regency, Bank Mandiri entered Namlea City in 2010 and in 2011 BNI was also in Namlea City.

With the emergence of various banks in Namlea City, it is clear that there are differences in terms of service quality felt by consumers. Observations made by researchers, services, facilities, products offered for each bank in the city of Namlea are different. The satisfaction felt by customers in making transactions is also different. there are customers who are satisfied with fast transactions, there are customers who are dissatisfied with ATM machine facilities that are not owned by the bank when the customer has to stand in line to make transactions. Therefore, this study will examine how the influence of service quality on bank customer satisfaction in the city of Namlea. This research is important to do considering the results of this study can be a recommendation for banks in improving service quality.

Literature Review

Service and Management

Service is an activity or any achievement that is offered by one party to another which is not captured by the senses/intangible. In service companies, due to product attributes as seen in manufactured products where a consumer will experience non-existent or malfunctioning, therefore one way to influence consumer perceptions in service companies is to trace the dimensions contained in service products. These dimensions are concrete evidence, reliability, response, assurance and empathy (Parasuraman, A., Valerie A, Z., & Leonard, 1991). So that the management of constructs that affect consumer perceptions in service companies is through serious attention to these factors.

Service is the provision of an invisible performance or action from one party to another. In general, services are produced and consumed simultaneously where interactions between service providers affect the results of these services. Service is a job that is done for many people or maybe only for one person. In connection with that, all uses or benefits provided by other parties that will make it easier to fulfill certain needs are classified as services (Bowen, J. & Chen, 2001).

From an operational perspective, services are divided into two types, namely business services and internal services (Ditchin, J. A., & Oakland, 1994). In business services, providing services to consumers is carried out by visiting the residence of the consumer in need, such as installing electricity, installing telephone networks, water or gas. For the second type of service provision is carried out to consumers who come to the service facilities provided, such as refueling services, barbers, car repair heads, and even health clinics. Furthermore, internal services are services or uses provided by a department of an organization that will be utilized by other departments.

Quality of Service

In general, in consuming goods or services, consumers are very concerned about service quality. Consumers tend to prefer services that are of good quality. So that companies can maintain their customers, the company should improve the quality of its services. Service quality is a function of what consumers actually receive (technical quality) and how the service is delivered (functional quality) (Tjiptono, 2005). Basically, there are three quality orientations that should be consistent with each other, namely consumer perceptions, products and processes. For tangible products, the three orientations can be distinguished, but not for services. In this sense, the concept of quality leads to the rater's subjectivity and actual, which depends on the perspective used to determine actual characteristics and specifications. There are several elements of the equation regarding the understanding of quality, namely (1) quality includes efforts to meet or exceed consumer expectations, (2) quality includes products, services, processes, and the environment, and (3) quality is a condition that is always changing (especially the time construct) (Wong, A., & Sohal, 2006).

Service quality is a function of what consumers actually receive (technical quality) and how the service is delivered. Therefore, customer service is all the activities needed to

receive, process, deliver, and fulfill consumer orders and to follow up on any activities that contain errors (Oliver, 1999).

Consumer Loyalty

Loyalty means the company's ability to position its products in the minds of consumers, where companies try to think of consumers as partners by strengthening consumer confidence, always interacting, if necessary, developing, for mutual progress (Lassar, W. M., Manolis, & Winsor, 2004). Meanwhile, what is meant by loyal or loyal consumers is someone who repurchases from the same company, informs other potential customers by word of mouth and becomes an antidote to attacks from competitors (Mattila, 2004). Thus, it can be said that the success of a company is largely determined by the loyalty of its customers.

Consumer loyalty is a level of psychological commitment to a product (Ndubisi, 2006). This means that consumers will be loyal to a certain product if they feel happy and like it. Consumer loyalty as a random purchase is expressed continuously by the decision making unit by paying attention to one or several alternative products from a number of similar products and is a function of psychological processes (decision making, evaluative) (Oliver, 1999). According to this definition, consumer loyalty is always related to consumer tendencies and actual purchases even though the relative weight given to the two constructs may differ, depending on the product area involved and the situational factors present at the time a particular purchase was made.

The aspects that shape consumer loyalty (Suryani, 1997) are:

a. Cognitive aspects

Cognitive aspects include accessibility, confidence, centrality, and clarity. Accessibility is an easy way for someone to recall the attitudes that have been formed. Confidence is the degree of certainty of an attitude or assessment relationship. Centrality shows the relationship between attitudes towards brands and a value system. Clarity is consumer clarity of the designated brand.

b. Affective aspect

Affective aspects include emotions, moods, primary affect, and satisfaction. Emotions will lead a person to be specifically involved with something and even if not controlled can lead to the formation of undesirable behavior. Moods or moods, when compared to emotions have a lower intensity. Primary affect is the impression that consumers perceive for a particular product brand. Satisfaction is a positive consumer assessment of a particular product brand.

c. Conative aspects

Conative is a tendency that exists in consumers to take an action. The aspects that make up consumer loyalty (Dimitriades, 2006) are:

1. Confidence (cognitive) means that product information held by consumers must point to superior products in competition.

2. Attitude (affective) means that the level of consumer preference must be higher than competing products, so that there is a clear affective preference for focal products.

The intention (conative) of consumers for focal products means that consumers must have the intention to buy focal

products instead of other products when the buying decision

Methods

This study discusses the effect of service quality on customer loyalty in accordance with the problems in this study, so the research method used is descriptive quantitative method. This type of research is a survey research.

The objects in this study are customers at banks in the city of Namlea, Buru Regency, namely customers at Bank BRI, Bank Mandiri, Bank BNI. The research period lasts for three months, namely from February to March 2020.

Population is the subject of research. Population research can only be done for a finite population and not too many subjects, while the sample is a part or representative of the population studied (Arikunto, 2002).

In this study, sampling was carried out by simple random sampling where the sample was randomly selected from a specified number. The population in this study were all bank customers in the city of Namlea. Based on research data in April 2012, the total number of customers spread across each bank in the city of Namlea was 28,369 customers. The sample in this study is the number of respondents who are considered to represent the research objectives.

In the book Communication Research Methods (Jalaluddin, 1984) calculating the sample size is based on estimating the proportion of the population using the following formula:

$$n = \frac{N}{nd^2 + 1}$$

So the samples in this study are:

$$n = \frac{28369}{nd^2 + 1}$$

$$n = \frac{28369}{28369 (0.1)^2 + 1}$$

$$n = \frac{28369}{285}$$

$$n = 99.54 \text{ round to } 100$$

Information :

N = size of the population

n = the size of the sample

d² = precision you want to take (10%)

So the sample in this study amounted to 100 people.

The data collection techniques used in this study are as follows:

a. Observation

In this observation, the researcher is directly involved in marketing activities on the object being studied, so that several assumptions can be made based on experience or some cases that have been experienced (Bin Tahir, 2015)

b. Questionnaire

This questionnaire is intended to obtain primary data from people who are directly involved.

c. Interview

It is a direct data collection technique in the form of questions and answers with respondents (Bin Tahir, 2017).

d. Documentation Studies

Data collection through documentation studies is carried out by recording and collecting data from companies, such as reports on operational and marketing activities, as well as

is made. those from outside the company related to the research process.

Data Analysis

Data analysis begins with the selection of all data collected from various sources such as observations, questionnaires, interviews, and documentation. The collected data were analyzed using PLS. PLS is a powerful analysis model because it can be used on any type of data scale (nominal, ordinal, interval and ratio) as well as more flexible assumption requirements. The PLS approach is distribution free as well as flexible sample sizes. PLS can also be used when the theoretical basis of the model is tentative or the measurement of each latent construct is new (Sofyan, Y., & Kurniawan, 2011). Variant-based PLS designed for prediction purposes. This is the initial concept that researchers should base on. The main focus of PLS is to maximize the variance of endogenous constructs that can be explained by exogenous constructs or identify constructs that are able to maximize the predictive power of the model. PLS can also be used for confirmation purposes (such as hypothesis testing) and exploration purposes (Gatson, 2009). Its main purpose is to explain the relationship between constructs and emphasize the meaning of the value of the relationship.

The steps in the analysis with Partial Least Square (PLS) (Sofyan, Y., & Kurniawan, 2011) are as follows:

- 1) Designing the structural model (inner model)
- 2) Defining the measurement model (outer model)
- 3) Make a path diagram
- 4) Convert the path diagram to a system of equations.
- 5) Model estimation.
- 6) Evaluation of measurement models and structural models
- 7) Model interpretation.

To facilitate research, the data processing in this study used the XLSTAT PLSPM 2013 software.

The construct measurement is done by using a five alternative scale (Likert scale). The service quality construct is given the following assessment:

- | | |
|--------------|--------------|
| 1: Very Bad | 4: Good |
| 2: Not Good | 5: Very Good |
| 3: Undecided | |

While the customer satisfaction construct is given the following ratings:

- | | |
|---------------|---------------|
| 1: Very Loyal | 4: Loyal |
| 2: Disloyal | 5: Very Loyal |
| 3: Undecided | |

Results

The customer satisfaction construct is described by four indicators consisting of Kep1 to Kep4. The outer loading test aims to see the correlation between the score of the item or indicator and the construct score. an indicator is considered reliable if it has a correlation value above 0.7, but in the development stage the correlation of 0.50 is still acceptable. For more details, the results of data processing

can be seen in the attachment, the following figure is a summary of data processing using XLSTAT PLS PM 2013.

Table 1. Results of Discriminant Validity (Customer Satisfaction)

Latent Variable	Manifest Variables	Standardized Loadings	Critical Ratio (CR)
Customer Satisfaction	Kep1	0,746	13,696
	Kep2	0,844	22,246
	Kep3	0,832	17,456
	Kep4	0,878	20,933

The original sample estimate or loading factor value of all indicators is at the recommended level (0.50) and also the t-statistic value is above 1.96. The t-statistical estimation of the existing indicators is also above the specified t-table value (1.96), so it can be concluded that the customer satisfaction construct has met the convergent validity requirements or in other words the customer satisfaction construct has good convergent validity.

Discussions

The service quality construct is described by four indicators consisting of tangible, reliability, responsiveness, assurance and empathy. The outer loading test aims to see the correlation between the item score or indicator and the construct score. an indicator is considered reliable if it has a correlation value above 0.7, but in the development stage the correlation of 0.50 is still acceptable (Ghozali, 2006). For more details, the results of data processing can be seen in the attachment, the following figure is a summary of data processing using XLSTAT PLS PM 2013.

The results of processing using the XLSTAT PLS PM 2013 show the value of the outer model or the correlation between the indicator and the latent construct, which generally meets Convergent Validity. The correlation value for each of these indicators is above the recommended value of 0.50, so it can be concluded that the construct of service quality can be said to be feasible or good.

Table 2. Results of Discriminant Validity (Quality of Service)

Latent Variable	Manifest Variables	Standardized Loadings	Critical Ratio (CR)
Quality of Service	Tangible	0,614	5,163
	Reliability	0,852	17,407
	Responsiveness	0,623	6,264
	Assurance	0,824	16,481
	Empathy	0,774	14,652

The significance of the estimated parameters provides very useful information about the relationship between research constructs. The limit for rejecting and accepting the proposed hypothesis is ± 1.658 , where if the t value is in the range of -1.658 and 1.658, the hypothesis will be rejected or

in other words, accept the null hypothesis (H0). Table 2 provides the estimated output for structural model testing.

a. Hypothesis 1

The first hypothesis (H1) states that service quality has a partially positive effect on customer satisfaction in Namlea Banks. Table 2 above shows that service quality has an effect on customer satisfaction. The effect of the service quality construct on customer satisfaction is positive (0.484) and significant at 0.000 ($5.193 > 1.658$).

Table 3. Inner Weights Results (Customer Satisfaction)

Latent Variable	Value	t	Pr > t	Critical Ratio (CR)	Hypothesis
Quality of Service	0,484	5,193	0,000	5,479	Received

The acceptance of the first hypothesis (H1) indicates that with good service quality from the bank, it will be able to provide satisfaction to the bank's customers. These results indicate that customers who are satisfied with bank services will pay attention to service quality, this is indicated by a significant coefficient value and has a positive effect. Customers consider the importance of physical appearance, equipment, bank employees and means of communication. Customers also give great ratings for the reliability of the banking sector to provide services to them. Fast service to customers also gets the attention of customers. And customers really give a great sense of trust to the behavior of front-line staff from the bank. The results of this study also indicate that bank customers will be satisfied, if bank employees can pay great attention to them

The results of this study shows that there is a significant influence between the construct of service quality and customer satisfaction. The results of this study also shows that the construct of service quality which is a personal inspiration and attention to customers, such as the ability to pay special attention to customers, provide time for customers when facing problems, personal approach, attention to customer interests and needs are constructs that customers assess as the thing that is considered the most important and has the most significant influence.

Conclusion

This study contains a model that examines the effect of service quality on customer satisfaction and customer loyalty. The results of SEM (Structural Equation Modeling) testing using XLSTAT PLS PM 2013, it can be concluded that service quality has a positive effect on bank customer satisfaction.

This research has been well done, but it still has some inevitable limitations. This requires caution in generalizing the results of this study. Some of the limitations that might affect the research results include: 1) The number of samples used in this study did not meet adequate criteria, thus these results could not be generalized, and 2) This study uses an instrument based on the perception of the respondent's answer score, so it will be problematic if the respondent's perception is different from the real condition.

Limitations and Future Studies

Based on the limitations found, suggestions can be given as follows: Conduct additional data collection techniques such as interviews with the company with the aim of increasing the number of respondents and conducting a pilot study to ensure that the question items in the questionnaire can be understood well by the respondents, even though these question items have been used in previous research. This is necessary because, the geographic and cultural conditions and settings are different from the previous research.

Further research should expand the object of research, not limited to banks but also to other industries such as telecommunications and aviation service companies so that the scope of the problem becomes broad and can be generalized.

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