

# Does Service Quality Affect Customer Loyalty with Customer Satisfaction as an Intervening Variable : Case Study at PT Bank Tabungan Negara (Persero) Tbk. Sub Branch Office Bintara Bekasi

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**Abstract:-** This research aims to determine service quality effect on customer satisfaction and customer loyalty at PT Bank Tabungan Negara Sub Branch Office Bintara. The sample is taken by using non probability sampling method and purposive sampling with 130 sample. The data used in this research consists of primary data (the results of questionnaire processing) and secondary data (related literature). This research used correlational research design. The type of research used in this research is quantitative research. Author use Structural Equation Modeling (SEM) with AMOS software version 22 as a tool. The result of this research indicates that the service quality variable has no significant effect to customer satisfaction but has an effect on customer loyalty. While customer satisfaction variables affect customer loyalty.

**Keywords:-** Service Quality, Customer Satisfaction, Customer Loyalty.

## I. INTRODUCTION

The developments in the business world today are very fast. One of industry who received an impact in handling this business condition was the banking sector. In this condition, banks need to keep customer satisfaction is maintained. The Bank's business is engaged in services that is based on the principle of trust. The Bank's business is always in a competitive environment. Many banks are competing to provide excellent service to attract and care for their customers and try to be superior in providing services to their customers. Customer satisfaction is highly considered by the Bank because it is directly related to the growth of funds that affect company performance.

The problem that often arises in the banking world is that the Bank has not been able to provide the maximum satisfaction expected by its customers. The main factor of dissatisfaction comes from the services which are considered of poor quality. Service quality is very important factor, because that considered capable of influencing the public to place their funds in the bank. Each bank has a different service strategy provided for its customers, by providing the best service, then customers will feel satisfied and loyal, so that customers remain loyal using the banking service products offered by the Bank. Then customers who

are satisfied will directly or indirectly recommend the Bank to others. However, if the customer feels dissatisfied with the services, the customer will look for another bank that can offer better services. Customers can be said to be loyal if they have a strong commitment to routinely use or repurchase products or services offered by the Bank. How to form loyalty must begin with providing superior service, so that customers feel satisfied with their experience.

One of the active banks in providing excellent service is PT Bank Tabungan Negara (Persero), Tbk, or also known as Bank BTN. Bank BTN, which is a state-owned bank, was previously known to only focus on housing finance for the community, currently Bank BTN is not only focused on housing finance, but has begun to develop into a state-owned bank that has begun to aggressively market third-party funds. By providing excellent service to its customers, it is expected to be able to maintain and increase the number of customers that affect the progress of Bank BTN. Based on the results of a survey of The Best Bank Service Excellence in 2016 conducted by MRI (Marketing Research Indonesia) where Bank BTN was ranked 6th out of 10 banks. This survey uses shoppers who act as customers. The methodology used by MRI is mystery shopping. The measurement mission is to trigger the banking industry to provide the best service for customers involving supporting facilities such as building conditions, the provision of various facilities and conditions. The function of shoppers in collecting data is to record what they observe and experience so that the results are objective. The National Savings Bank needs to identify the services provided so far or not according to customer expectations. This is proof of Bank BTN's attention to customer satisfaction. Excellent service is also expected to provide encouragement to customers to always establish good relations with Bank BTN. If customers satisfied with the services, it is not uncommon for customers to provide information and recommendations to their relatives about what they have received from Bank BTN. Indirectly this will greatly help Bank BTN in promoting its products.

According to *Aryani & Rosinta (2010)* in a previous study, there is no influence between service quality on customer loyalty. But *Wijayanto (2015)* said otherwise. Based on description above with the result of previous research, the research gap was found and there is

inconsistent between researcher with the same variable. So the authors are interested in raising the title in the writing of this research "The Does Service Quality Affect Customer Satisfaction And Customer Loyalty : Case Study at PT Bank Tabungan Negara (Persero) Tbk. Sub Branch Office Bintara Bekasi"

## II. THEORITICAL REVIEW

### A. Service Characteristics

According to *Kasmir (2008)* in his book there are 4 (four) characteristics of the service characteristics as follows:

#### ➤ *Intangible*

Intangible means that it cannot be felt or enjoyed before the service is purchased or consumed. Therefore, services do not have a certain form, so they must be purchased first.

#### ➤ *Inseparable*

Services are inseparable, meaning that the buyer of services and the seller of services are related to one another, and cannot be entrusted through another person.

#### ➤ *Various*

Services have various forms meaning services can be traded in various forms or vehicles such as place, time or nature.

#### ➤ *No Long Lasting*

Services are classified as no long lasting, meaning that services cannot be stored, once a service is purchased it is consumed immediately.

### B. Bank

According to *Kasmir (2008)* a bank is a company engaged in the financial sector, meaning that banking activities are always related to finance. Bank evaluation is now where the bank as a financial institution provides financial services. Banks are institutions that hold bank licenses, bank licenses are given by authoritarian financial supervision and provide the right to perform basic banking services, such as receiving savings and giving loans.

### C. Service Quality

*Parasuraman et al. (in Lupiyoadi 2011)* defines service quality as a result of a comparison between expectations of a service and what is felt after receiving service treatment. Service Quality Model (ServQual) to measure service quality consisting of 5 dimensions, namely:

#### ➤ *Responsiveness*

Responsiveness is interpreted as a policy to serve responsive and appropriate services to customer by delivering clear information.

#### ➤ *Reliability*

Reliability is interpreted as service provider ability to serve services consistent with what was promised accurately and reliably.

#### ➤ *Assurance*

Assurance is defined as knowledge, politeness and the ability of service provider to foster consumer confidence in the company.

#### ➤ *Tangible*

Tangible is interpreted as the ability of service provider to show their whereabouts to outsiders.

#### ➤ *Emphaty*

Emphaty is interpreted as deliver sincere and personal attention in an effort to understand the desires of consumers.

### D. Customer Satisfaction

According to *Kotler (in Kasmir 2008)* customer satisfaction is the assessment of customers for the use of goods or services compared to expectations before their use. The customer satisfaction provided by the bank will impact very broadly to increase bank profits. Or in other words, if the customer is satisfied with the purchase of bank services, the customer will:

- Loyalty to the bank, meaning that the customer is unlikely to move to another bank and will remain loyal to the bank's customer.
- Repeated purchasing of its products, meaning satisfaction with the purchase of bank services will cause customers to repurchase the services offered repeatedly.
- Buy another product in the same bank. In this case the customer will expand the purchase of types of services offered so that customer purchases become more diverse in one bank.
- Providing free promotions by word of mouth. This is what the bank wants, because talking about the quality of bank services to other customers will be evidence of the quality of services offered.

### E. Customer Loyalty

*Hurriyati (2015)* defined loyalty as a commitment from customers to re-subscribe or to re-purchase selected products / services consistently in the future.

### F. Thinking Framework

Based on the description above, the thinking framework for this research is:

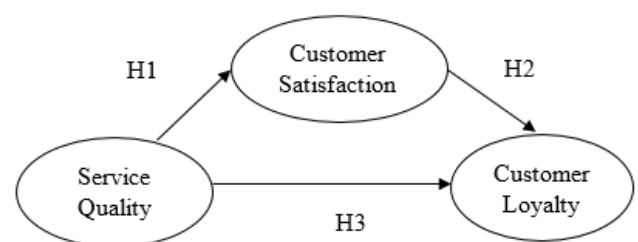


Fig. 1. Thinking Framework

G. Hypothesis

Based on previous study, problem and description above, the hypothesis for this research is :

- H1 : Service quality affect on customer satisfaction.
- H2 : Customer Satisfaction affect on customer loyalty.
- H3 : Service quality affect on customer loyalty

III. METHODOLOGY

The discussion of research design in this chapter is related to the type of research and exposure to the relationships between variables. Judging from the design, this study uses a correlational research design. This type of research used quantitative research.

Population in this study are customers at Bank BTN. Sub Branch Office Bintara. The sample used in this study is a customer of BTN Batara savings products. Sampling technique for this research is non probability sampling, with purposive sampling. The sampling is customers who often conduct banking transactions at Bank BTN KCP Bintara Bekasi and customers use BTN savings products for a minimum period of one year. Because a period of one year or more can be categorized as a loyal customer.

The number of parameter variables in this study were 14 variables and total of samples in this research amounted are 130 respondents. Type of data used is primary data, the data source obtained from respondents through questionnaires. Primary data in this study were collected through filling out the questionnaire by provide questions to be filled by respondents. This questionnaire filling technique gives responsibility to each respondent to answer every question raised by the researcher in the question list.

Measurement of variables is using likert scale. The scoring method used in this research is a minimum of 1 and a maximum of 10. After obtaining these data, the results analyzed using the Structural Equation Modeling software application with the AMOS program.

IV. RESULTS AND DISCUSSION

A. Data Analysis Using SEM Test

Based on the existing framework and theoretical basis, a Mediated model flowchart is made that explains the causality of variables and their constructs. The structural equation model using this mediating variable consists of one exogenous variable and two endogenous variables. From three variables, there is 14 manifest variables were compiled that functioned as research indicators.

B. SEM Assumptions Test

In a structural equation modeling process, the first thing to do is to evaluate whether the data used can meet the SEM assumptions as follows:

➤ Sample Test

This study uses 130 samples, which means it meets the minimum requirements determined by the estimation model using Maximum Likelihood, which is 100 samples. Researchers distribute questionnaires for 4 working days with an average of 30-40 questionnaires per day.

➤ Normality Test

From the critical ratio skewness value, all indicators show an informal distribution because the values are below 2.58, except for the KN8, KP1 and KP3 indicators. While the multivariate normality test gives a cr value of 3,938 well above 2.58, then the multivariate distribution is not normal.

➤ Outliers Evaluation

The result of mahalanobis distance output from AMOS 22.0 program show all values are not above 100,554, it can be concluded that there are no outliers in the data.

C. The Unidimensionality Test of Each Construction with CFA (Confirmatory Factor Analysis)

➤ Confirmatory Test for Exogenous Construction of Service Quality

The following figure are the confirmatory construct test of service quality that has been processed through SEM.

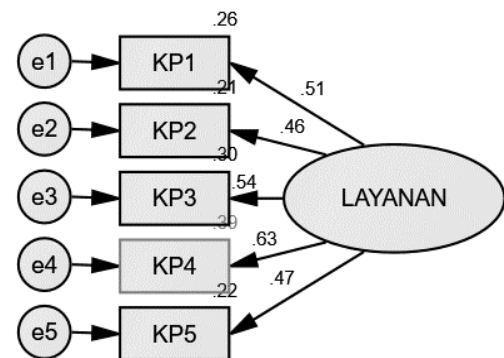


Fig. 2. Exogenous Construction of Service Quality

Variable Construct	Estimate	S.E.	C.R.	P	Label
KP5 <--- LAYANAN	1.000				
KP4 <--- LAYANAN	1.207	0.319	3.781	***	-
KP3 <--- LAYANAN	1.142	0.317	3.599	***	-
KP2 <--- LAYANAN	0.833	0.251	3.315	***	-
KP1 <--- LAYANAN	1.421	0.406	3.498	***	-

Variable Construct	Estimate
KP5 <--- LAYANAN	0.469
KP4 <--- LAYANAN	0.628
KP3 <--- LAYANAN	0.545
KP2 <--- LAYANAN	0.463
KP1 <--- LAYANAN	0.513

Table 1:- Confirmatory Test Results for Exogenous Construction of Service Quality

For the result, that all values of convergent validity are above 0.5 except for indicators KP5 and KP 2. Then it can be concluded that indicators KP1, KP3, KP4 are valid because above 0.5. The construct that most influences the quality of customer service is the KP1 indicator with a value of 1,421 at a significance level of 0.001. KP2 indicator has the smallest influence with a value of 0.833.

➤ *Confirmatory Test of Endogenous Constructions of Customer Satisfaction*

The following figure are the results of the Customer Satisfaction construct test confirmation that have been processed through SEM.

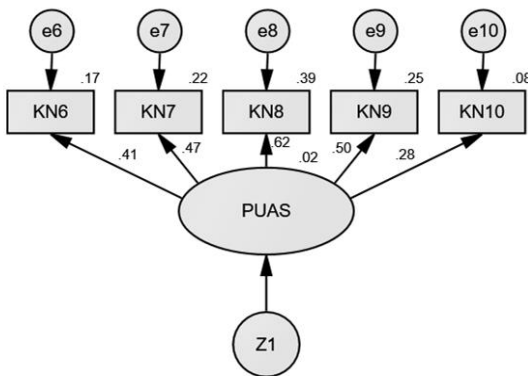


Fig. 3. Exogenous Construction of Customer Satisfaction

Variable Construct	Estimate	S.E.	C.R.	P	Label
KN6 <--- PUAS	1.000				
KN7 <--- PUAS	1.230	0.432	2.848	0.004	-
KN8 <--- PUAS	1.473	0.482	3.053	0.002	-
KN9 <--- PUAS	1.173	0.4	2.931	0.003	-
KN10 <--- PUAS	0.677	0.318	2.128	0.003	-

Variable Construct	Estimate
KN6 <--- PUAS	0.409
KN7 <--- PUAS	0.467
KN8 <--- PUAS	0.621
KN9 <--- PUAS	0.503
KN10 <--- PUAS	0.282

Table 2:- Confirmatory Test Results for Exogenous Construction of Customer Satisfaction

For the result, the convergent value of the validity indicators of KN6, KN7 and KN10 is below 0.5, which means it is declared invalid. While the KN8 and KN9 indicators are declared valid because the values are above 0.5. The construct that most influences customer satisfaction is the KN8 indicator with a value of 1.473 at a significance level of 0.001. while the KN10 indicator has the smallest influence with a value of 0.677.

➤ *Confirmatory Test of Endogenous Constructions of Customer Loyalty*

The following figure are the results of the Customer Loyalty construct test confirmation that have been processed through SEM.

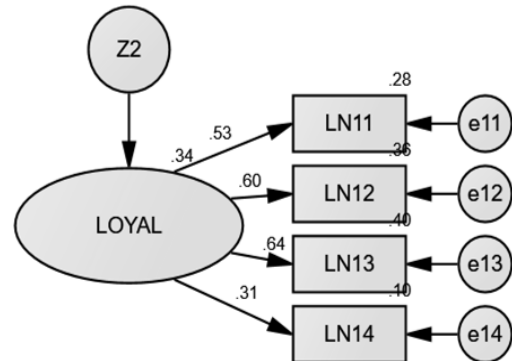


Fig. 4. Exogenous Construction of Customer Loyalty

Variable Construct	Estimate	S.E.	C.R.	P	Label
LN11 <--- LOYAL	1.000				
LN12 <--- LOYAL	1.061	0.27	3.933	***	-
LN13 <--- LOYAL	1.140	0.287	3.977	***	-
LN14 <--- LOYAL	0.633	0.242	2.616	0.009	-

Variable Construct	Estimate
LN11 <--- LOYAL	0.528
LN12 <--- LOYAL	0.601
LN13 <--- LOYAL	0.636
LN14 <--- LOYAL	0.314

Table 3:- Confirmatory Test Results for Exogenous Construction of Customer Loyalty

For the result, all convergent validity values are above 0.5 except the indicator LN14. Then it can be concluded that the indicators LN11, LN12 and LN13 are valid because above 0.5. But not with LN14 invalid because below 0.5. The construct that most influences customer loyalty is the LN13 indicator with a value of 1,140 at a significance level of 0.001. while LN14 indicator has the smallest influence with a value of 0.633.

➤ *Confirmatory Test for Exogenous Variables with CFA*

The following figure are the result of a confirmation test of an exogenous variable with CFA that has been processed through SEM.

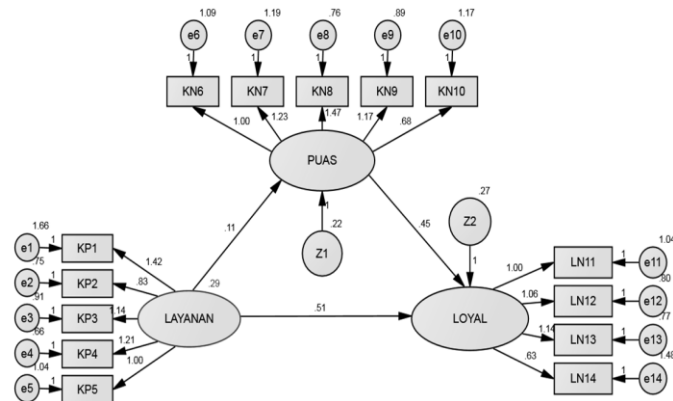


Fig. 5. Confirmatory Test for Exogenous Variables with CFA Determinant of sample covariance matrix = 6.036

According to *Tabachnick and Fidel (in Ghozali 2014)* a very small values indicate indications of multicollinearity or singularity problems so that the data cannot be used for research. AMOS output shows a sample covariance matrix of 6,036, this value are above zero so there are no multicollinearity and singularity problems in the data.

➤ *Confirmatory Test of All Variable with Full Model Confirmatory Factor Analysis (CFA).*

The following figure are full model structural equation research by using AMOS Version 22.0

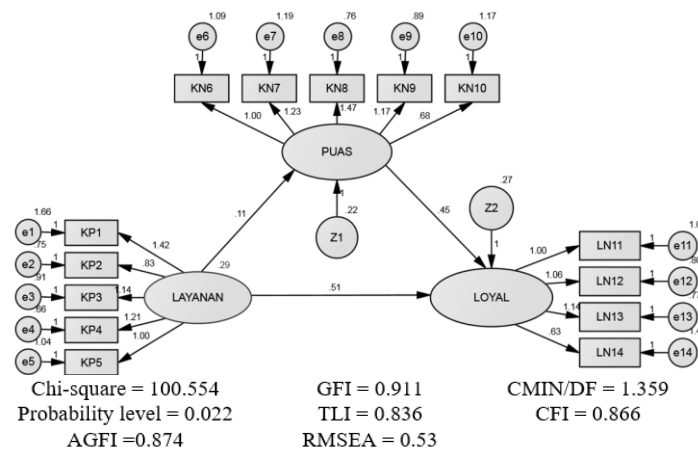


Fig. 6. Full Model Structural

In the figure above the structural model as a whole approaches the fit criteria, only two fulfill the criteria, namely RMSEA, GFI and CMIN / DF, some others approach the minimum index requirements, namely AGFI, CFI and, TLI indicate the marginal level of a model. In addition to conducting a confirmation test for all variables, all construct indicators can have a probability value of  $p < 0.05$  and also meet the convergent validity value except in the variable service quality of customer satisfaction with a value of 0.383. So it is concluded that all data in the complete model diagram is valid except for service quality variables on customer satisfaction. The following table are CFA test results.

Variable Construct	Estimate	S.E.	C.R.	P
PUAS <--- LAYANAN	0.109	0.125	0.872	0.383
LOYAL <--- PUAS	0.451	0.230	1.960	0.050
LOYAL <--- LAYANAN	0.508	0.203	2.503	0.012
KP5 <--- LAYANAN	1.000			
KP4 <--- LAYANAN	1.207	0.319	3.781	***
KP3 <--- LAYANAN	1.142	0.317	3.599	***
KP2 <--- LAYANAN	0.833	0.251	3.315	***
KP1 <--- LAYANAN	1.421	0.406	3.498	***
KN6 <--- PUAS	1.000			
KN7 <--- PUAS	1.230	0.432	2.848	0.004
KN8 <--- PUAS	1.473	0.482	3.053	0.002
KN9 <--- PUAS	1.173	0.400	2.931	0.003
KN10 <--- PUAS	0.677	0.318	2.128	0.033
LN11 <--- LOYAL	1.000			
LN12 <--- LOYAL	1.061	0.270	3.933	***
LN13 <--- LOYAL	1.140	0.287	3.977	***
LN14 <--- LOYAL	0.633	0.242	2.616	0.009

Variable Construct	Estimate
PUAS <--- LAYANAN	0.126
LOYAL <--- PUAS	0.333
LOYAL <--- LAYANAN	0.434
KP5 <--- LAYANAN	0.469
KP4 <--- LAYANAN	0.628
KP3 <--- LAYANAN	0.545
KP2 <--- LAYANAN	0.463
KP1 <--- LAYANAN	0.513
KN7 <--- PUAS	0.467
KN8 <--- PUAS	0.621
KN9 <--- PUAS	0.503
KN10 <--- PUAS	0.282
LN11 <--- LOYAL	0.528
LN12 <--- LOYAL	0.601
LN13 <--- LOYAL	0.636
LN14 <--- LOYAL	0.314
KN6 <--- PUAS	0.409

Table 4:- Construct of All Variables

**D. Goodness of Fit Test**

The following table are the summarizes of the GOF test results.

No.	Goodness of Fit Index	Cut Off Value	Analysis Result	Model Evaluation
1	X <sup>2</sup> - Chi Square	Expected to be Small	100.554	Marginal Fit
2	Significance Probability	≥ 0.05	0.022	Good Fit
3	RMSEA	≤ 0.08	0.53	Good Fit
4	GFI	≥ 0.90	0.911	Good Fit
5	AGFI	≥ 0.90	0.874	Marginal Fit
6	CMIN/DF	≤ 2.00	1.359	Good Fit
7	TLI	≥ 0.95	0.836	Marginal Fit
8	CFI	≥ 0.95	0.866	Marginal Fit

Table 5:- Goodness of Fit (GOF) Test Results

Chi Square X<sup>2</sup> in this study amounted to 100,554, with a probability of 0.022. The RMSEA, GFI and CMIN / DF results show an evaluation of a good fit model because it meets the cutt of value. While the AGFI, TLI and CFI results show an evaluation of the marginal fit model because it is close to the cutt of value.

**E. Hypothesis Testing**

Hypothesis testing can be accepted if the criterion ratio is more than 2.58 at a significant level of 0.001 or more than 1.96 for a significance of 0.05.

➤ *Parameter Estimation Calculation Results*

Variable Construct	Estimate	S.E.	C.R.	P
PUAS <--- LAYANAN	0.109	0.125	0.872	0.383
LOYAL <--- PUAS	0.451	0.230	1.960	0.050
LOYAL <--- LAYANAN	0.508	0.203	2.503	0.012
KP5 <--- LAYANAN	1.000			
KP4 <--- LAYANAN	1.207	0.319	3.781	***
KP3 <--- LAYANAN	1.142	0.317	3.599	***
KP2 <--- LAYANAN	0.833	0.251	3.315	***
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KN6 <--- PUAS	1.000			
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LN11 <--- LOYAL	1.000			
LN12 <--- LOYAL	1.061	0.270	3.933	***
LN13 <--- LOYAL	1.140	0.287	3.977	***
LN14 <--- LOYAL	0.633	0.242	2.616	0.009

Table 6:- Calculation of Estimated Parameters

CR value that does not meet the requirements (<1.96) at a significance level of 0.05 in the relationship of service quality to customer satisfaction with a CR value of 0.872 and P 0.383 so that the causality relationship of these variables cannot be accepted because it does not meet the requirements (<1.96) . In the relationship of customer satisfaction ---> customer loyalty with CR values of 1,960 and P of 0.050 and relationship of service quality ---> customer loyalty gets CR values of 2.503 and P 0.050 so that the causality relationship of these variables can be accepted because they meet the requirements (> 1.96 ) at a significant level (p-value) 0.05.

➤ *Service quality on customer satisfaction*

The results in table 8 showed a C.R value of 0.872 <1.96 at the significant level (p-value) was 0.383> 0.05. So it can be concluded the service quality variable does not affect customer satisfaction.

➤ *Customer Satisfaction on Customer Loyalty*

The results in table 8 showed a C.R value of 1.960 = 1.96 at the significant level (p-value) was 0.050 = 0.05. So it can be concluded the customer satisfaction variable influences customer loyalty.

➤ *Service Quality on Customer Loyalty*

The results in table 8 showed a C.R value of 2.503> 1.96 at the significant level (p-value) was 0.012> 0.05. So it can be concluded the service quality variable influences customer loyalty.

**V. CONCLUSIONS AND SUGGESTION**

**A. Conclusions**

From the overall data the following conclusions obtained:

- Service quality does not has a significant effect on customer satisfaction. The most influential construct is KP1, which is tangible with a value of 1,421. This shows that customers feel comfortable with the waiting room facilities that have been provided by Bank BTN.
- Customer Satisfaction positive and has a significant effect on customer loyalty. The most influential construct is KN8, which is customer satisfaction for banking products offered by Bank BTN with a value of 1,473. This shows the customer is satisfied with BTN Batara savings product.
- Service Quality positive and has a significant effect customer loyalty. The most influential construct is LN13, which is the customer is willing to suggest and promote to others about the benefits of being a customer of Bank BTN. Suggestion

**B. Suggestion**

Based on the result and the research conclusion, therefore the following of suggestions could be made :

- For the next future research it wouldexpected to add another variables that thought has an influences towards customer loyalty variable.

- This research only limited to one research location that is only at Bank BTN KCP Bintara Bekasi so it does not present the overall data results. For future research it is expected to expand the object research through several companies which not only in banking area because it would get different results and conclusions if carried out on different objects concern
- The lowest indicator value on service quality is KP2 with a value of 0.833, which is the expertise and knowledge of employees regarding Bank BTN products. The author suggests that Bank BTN provide re-socialization regarding banking products offered to all employees of Bank BTN
- The lowest value indicator of customer satisfaction is KN10, which is a benefit that is received as a whole by the customer. Although overall the customer is satisfied, it would be nice for Bank BTN to continue to increase customer satisfaction through various ways.
- The lowest value indicator for customer loyalty is LN14 with a value of 0.33, which is about the availability of customers to remain willing to use Bank BTN's banking services later on. The author suggests that Bank BTN continues to improve customer satisfaction with the hope that customers will have an interest in continuing to use Bank BTN's banking services in the future.

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