Effect of Service Quality and Corporate image on Customer Loyalty with Customer Satisfaction as Mediation Variables (Study at PT. BPR. Padma, Denpasar-Bali)

Made Sukerta¹, Anak Agung Putu Agung², I Wayan Sujana³

¹ Master of Management Study Program, University of Mahasarakarawati Denpasar, Bali, Indonesia
²,³ University of Mahasarakarawati Denpasar, Bali, Indonesia

Abstract:

The aim of this study is to know and test the effect of service quality, corporate image and customer satisfaction on customer loyalty at PT. BPR. Padma Denpasar-Bali, and to find out and test the effect of service quality, and corporate image on customer satisfaction at PT. BPR. Padma Denpasar-Bali. The study population was all customers at PT. BPR. Padma Denpasar-Bali, with 15,318 people. The number of samples was calculated using the Slovin method and obtained a total sample of 100 people, to determine the sample members used proportional random sampling technique that is the sample members taken proportionally in each part of the PT. BPR. Padma Denpasar-Bali. Data analysis techniques to answer the hypothesis of this study using Structural Equation Modeling (SEM) based on Partial Least Square (PLS). The results showed that (1) service quality had a positive and significant effect on customer loyalty, (2) corporate image had a positive and significant effect on customer loyalty, (3) service quality had a positive and significant effect on customer satisfaction, (4) corporate image had a positive effect and significantly to customer satisfaction (5) corporate image has a positive and significant effect on customer satisfaction, (6) customer satisfaction positively significantly mediates the effect of service quality on customer loyalty and (7) customer satisfaction positively significantly mediates the effect of corporate image on customer loyalty.

Keywords: service quality, corporate image, customer satisfaction, customer loyalty

Introduction:

Background The world of banking has developed rapidly since the issuance of government policy in the banking sector, known as the October 1988 package (Pakto 88), which contains the permission to establish a national private bank, a public credit bank and facilitates the opening of new offices (Triandaru and Budisantoso, 2010: 78). This development also happened to BPRs, which was shown by the increasing number of BPR offices. But unfortunately amid the greatness of BPRs in carrying out such a large credit expansion, apparently it has not been matched by good credit quality. NPL (Non Performing Loan BPR) figures from 2015 to September 2017 are always above the Commercial Bank NPL. As of September 2017 BPR NPLs were 8.49% while Commercial Bank NPLs were only 5.17%. As a result of the ever-increasing NPLs, the ROA (Return On Assets BPR's), which as of September 2017 was only 2.62%, far below the general banking ROA of 2.84%. In addition to the high NPL issues, the low ROA number of BPRs was also allegedly
due to the source of BPR funds which relied more on high-cost deposits with a portion of around 70%, and the remaining 30% was in the form of savings (source: www.neraca.co.idedis Saturday, October 13, 2015).

The existence of BPR is clearly needed, one way to maintain the existence of a bank is the presence of customer loyalty. National loyalty is a key word to keep the bank in business. Delivery of quality services today is considered an essential strategy for the company to be successful and sustainable. In other words, service quality is a form of assessment from customers, happy or disappointed. When customers feel happy, there will be a sense of satisfaction and bring customer loyalty to the bank. The concepts of service quality, corporate image, satisfaction, and loyalty are related to one another. This statement is reinforced by the results of previous research by Handi (2013) which states that service quality and corporate image have a strong and positive relationship that is when service quality has improved, then the company's image also indirectly increased and vice versa. Similar research by Ilhami (2013) states that corporate image can influence customer loyalty which is mediated by customer satisfaction. Furthermore, Bloemer et al. (2010), Hidayat (2010), and Lai et al. (2009) research shows that service quality has an effect on customer satisfaction. Rahyuda et al. (2013) found evidence that service quality dimensions had a positive and significant effect on customer satisfaction. Che et al. (2013) in his research obtained the results that satisfaction has an influence on customer loyalty. Panjaitan's research (2016) states that service quality, which consists of reliability, certainty, reality, empathy, and responsiveness, has a significant influence on customer loyalty. While different results obtained by Kunto (2016) who found that service quality has a significant effect on customer satisfaction, quality has a significant effect on customer trust, customer satisfaction has a significant effect on loyalty, customer trust has a significant effect on loyalty, but service quality has no significant effect towards loyalty. Based on the results of previous studies, there are still inconsistencies in the results of research, so it is interesting to do research related to the effect of service quality on customer satisfaction with customer satisfaction as a mediating variable.

The focus of this research is on PT. The more popular Padma People's Credit Bank is called PT. BPR. Padma, which is a banking service headquartered in the city of Denpasar, which has several branch offices in other districts such as Tabanan Branch offices, Gianyar Branch offices and Singaraja Branch offices. Based on the results of interviews with the Head of Division I in charge of PT. BPR Padma obtained the following data:

<table>
<thead>
<tr>
<th>SEGMENT</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TARGET</td>
<td>REALIZATION</td>
<td>%</td>
</tr>
<tr>
<td>Deposits</td>
<td>146,758,468</td>
<td>160,817,392</td>
<td>109.58</td>
</tr>
<tr>
<td>Savings</td>
<td>29,729,442</td>
<td>30,834,998</td>
<td>103.72</td>
</tr>
<tr>
<td>Credit</td>
<td>358,483,906</td>
<td>300,593,176</td>
<td>83.85</td>
</tr>
<tr>
<td>Profit</td>
<td>10,276,201</td>
<td>7,851,522</td>
<td>76.40</td>
</tr>
<tr>
<td>Asset</td>
<td>385,924,573</td>
<td>326,466,865</td>
<td>84.59</td>
</tr>
</tbody>
</table>

Source: PT. BPR. Padma Denpasar

Table 1 shows that the achievement of work targets is still fluctuating from year to year, even in 2018 all segments did not reach the target, even the achievement of profit which is the goal setting Company's, obtaining the lowest achievement percentage which is 75.67% and PT. BPR Padma Denpasar-Bali in 2018.
did not receive the Info Bank Award award, which is usually received annually. This information shows that the level of customer loyalty at PT. Padma Denpasar-Bali BPR experiences instability which is certainly caused by several factors, one of which is the company's image and service quality which is less than optimal in achieving customer loyalty at PT. BPR Padma Denpasar-Bali.

PT. BPR. Padma always try to provide good service in order to achieve its vision. Thus to find out whether PT. BPR. Padma has been able to exceed the expectations of its customers, then in this study using five dimensions to assess the quality of bank services. The five dimensions of service quality according to Tjiptono (2012: 31), namely: tangibles, reliability, reliability, responsiveness, assurance and empathy. The five dimensions can be taken into consideration whether it is in accordance with what is expected by the customer or not, so that it can be taken into consideration by the PT. BPR. Padma to improve the quality of its services.

The results of observations by researchers at the PT. BPR. Padma, that the competition is not with similar banks, namely Rural Credit Banks (BPR), but has begun to compete with Commercial Banks, which have far more adequate facilities, and especially on Bank Products are much more complete and competitive in terms of price, especially the percentage of credit interest rates

Good quality service will have a positive impact on each customer. Customers who experience satisfaction in transacting with banks will re-conduct transactions, giving rise to loyalty. If a banking service is deemed unsatisfactory, the customer will turn away and move to another banking institution. In an effort to retain customers, banks must be able to choose the most appropriate form of policy and technology. This will affect the accuracy, accuracy, ability and speed of banks in providing services to customers. The services provided to customers will reflect whether or not the bank is in the eyes of the customer.

There is something that has not yet been achieved by PT. BPR Padma, which is developing imperfect information technology, by being limited by existing regulations, in order to improve services that are faster, more precise and easier. The customer complained that PT. BPR. Padma did not yet have limited Mobile Banking, ATM and office Unit services, thus making customers unable to access transactions and information quickly and easily. When customers will make a transaction they must come to the bank so that it is inefficient. In addition, the product innovation offered by PT. BPR. Padma is not as complete as the Commercial Bank, which always creates product innovations with technology services, and the results of researchers' interviews with PT. BPR. Padma customers, prefer Commercial Banks because it will be more practical by being able to transact via Line. PT. BPR. Padma is a People's Credit Bank which is quite large in the order of 3 (three) big in Bali, so that competition is no longer with similar Rural Credit Banks, but competes with the National Commercial Bank which has Branch offices in Bali. this can threaten the existence of PT. BPR. Padma Denpasar Bali.

Based on the above background, the formulation and objectives of this study include: (1) To determine and test the effect of service quality on customer loyalty at PT. BPR. Padma Denpasar-Bali; (2) To find out and test the effect of corporate image on customer loyalty at PT. BPR. Padma Denpasar-Bali; (3) To find out and test the effect of the influence of service quality on customer satisfaction at PT. BPR. Padma Denpasar-Bali; (4) To find out and test the effect of corporate image on customer satisfaction at PT. BPR. Padma Denpasar-Bali; (5) To determine and test the effect of customer satisfaction on customer loyalty at PT. BPR. Padma Denpasar-Bali.

**Literature Review:**

BPR Existence clearly needed, one way to maintain the existence of banks is the existence of customer loyalty. According to Prasetijo and John (2005: 97) loyalty is a behavioral response expressed in a certain period by the decision-making unit in relation to one decision maker in relation to one or more brand alternatives are selected from a set of brands, and are a function of the psychological process. Thus it can be concluded that
loyalty is the loyalty of consumers after experiencing the services expressed in behavior to use company services and reflect the long-term bond between the company and consumers. Customer loyalty can be achieved if the company is able to provide maximum service quality.

Quality is the overall combination of product and service characteristics resulting from marketing, engineering, production, and maintenance that makes these products and services can be used to meet consumer expectations (Wijaya, 2011: 11). According to Tjiptono (2006: 51), "service quality is a dynamic condition related to products, services, people, nature, and the environment that meets expectations". From the above theory it can be concluded that service quality is fulfilling what consumers want and need, as well as how the level of service was provided to consumers to meet expectations. Quality does not only emphasize the aspect of the end product ie products and services but also concerns the quality of human beings, the quality of processes, and the quality of the environment. In addition to service quality, customer loyalty can also be influenced by the company's image.

Setiawan (2007: 21) states that the company's image is the impression, feelings and images of the public towards the company, an impression that is intentionally created from an object, people or organization. According Soemirtat and Adianto in Setiawan (2007: 22) that one of the indicators there is an attitude which means that is a tendency to act, perceive, think and feel in the face of ideas, objects, situations and values. Attitude is not a behavior but a tendency to behave and certain ways. Based on the opinions of the above it can be concluded that the indicators in the establishment of corporate image used in this study consists of a set of impressions, beliefs and attitudes that exist in the minds of consumers to the company. The company's image begins with a public perception of a company that is formed in the minds of customers. Corporate image owned by an organization can be ranked positively or negatively, so that it can affect customer satisfaction.

Understanding Satisfaction According to Abdullah and Francis (2013: 38), "Satisfaction is the level of one's feelings after comparing the performance of the product (or results) he feels with his expectations". According to Zeithmal and Bittner in Pangestu (2015: 12), "Satisfaction is the response or response of consumers regarding the fulfillment of needs". From the notions above it can be concluded that satisfaction is the level of one's feelings arising from the evaluation results of the purchase after comparing the performance of the products they perceive to be expected by the customer. So, if the performance fails to meet expectations, the customer will be dissatisfied, if the performance meets expectations, the customer will be satisfied, if the performance exceeds expectations, the customer will be very satisfied or happy.

Empirical Study:

There are a number of previous studies used as references in this study, namely: a study by Abidin (2016) which found that service quality has a positive effect on customer satisfaction, and corporate image has a positive effect on customer loyalty. Then a study by Hidayat (2012) found the results that there was a positive and significant influence on service quality on loyalty. Further more research, Jamaluddin (2015), Ruswanti (2015) and Joudeh & Dandis (2017) found that customer loyalty is influenced by customer satisfaction and service quality. Halower (2014) shows a significant and positive relationship between service quality and customer satisfaction on customer loyalty. Then the research of Malik et al (2014) and Çetin (2017) obtained brand image and service quality had a positive and significant effect on customer satisfaction. However, different results obtained by Rahim and Ganiyu (2016) which states the perception of service quality does not affect customer satisfaction.

Research Design, Concept Framework and Hypotheses:

Research Design:

According to Narimawati (2008: 29) the research process must be presented in a research design. The design of this study begins with defining the problem and title, then identifying the problem, then formulating the
problem and the purpose of the study. Furthermore, forming a research variable hypothesis that refers to theoretical and empirical studies related to service quality variables and corporate image of customer loyalty with customer satisfaction as a mediating variable. Data is then collected and analyzed using PLS/SEM.

Conceptual Framework:

Based on the theoretical review that has been presented previously, the research model or theoretical framework developed is in Figure 1, which illustrates the effect of service quality and corporate image on customer loyalty with customer satisfaction as mediation. Then the study framework model (conceptual) used to facilitate understanding of the concepts used is as shown in Figure 1 below:

**Figure 1 Conceptual Framework**

![Conceptual Framework Diagram](image)

Source: Researcher Thought Results (2019)

**Hypothesis**

H₁: There is a positive influence on service quality on customer loyalty at PT. BPR. Padma Denpasar-Bali Padma

H₂: There is a positive influence on customer loyalty Citra company at PT. BPR. Padma Denpasar-Bali.

H₃: There is a positive influence on service quality on customer satisfaction at PT. BPR. Padma Denpasar-Bali

H₄: There is a positive influence corporate image on customer satisfaction at PT. BPR. Padma Denpasar-Bali

H₅: There is a positive influence of customer satisfaction on customer loyalty at PT. BPR. Padma Denpasar-Bali

H₆: Customer satisfaction positively significantly mediates the effect of service quality on customer loyalty and

H₇: Customer satisfaction positively significantly mediates the effect of corporate image on customer loyalty

**Research Methods:**

**Location Research:**

Location of this research was conducted at PT. BPR. Padma, Denpasar-Bali research began in the first week of June 2019. The scope of the research will examine the effect of service quality and corporate image on customer loyalty with customer satisfaction as a mediating variable.
The reason researchers chose PT. BPR. Padma Denpasar-Bali as a research location because until now the tasks and responsibilities of the institution to the customer must be maintained and for the future to be even better in conducting services to customers who make transactions at PT. BPR. Padma Denpasar-Bali. This is possible because with the quality of service, corporate image that adjusts to the company's situation, with customer loyalty as a variable that reinforces customer loyalty. By providing the best service and creating a corporate / bank image, it will ultimately lead to customer loyalty to PT. BPR. Padma Denpasar-Bali.

Population and Sample:
The population in this study is the location of the study. This research was conducted at PT. The PT. BPR. Padma Denpasar-Bali study began in the first week of June 2019. The sample in this study were some customers at PT. BPR. Padma Denpasar-Bali. The method used for sampling is the Slovin method. Based on the results of calculations with the Slovin method, the sample size obtained was 100 people. To determine the sample members used proportional random sampling technique that is the sample members taken proportionally in each part of the existing at PT. BPR. Padma.

Operational Definition Variable:
Service quality (X1) is a dynamic condition associated with products, services, people, nature, and the environment that meets expectations. As for the indicators of quality of service refers Fandy (2008: 68-69) as follows:

1. Tangible
2. Reliability
3. Responsiveness
4. Assurance
5. Empathy

Corporate image (X2) is a general impression that left in the minds of consumers as a result of a collection of feelings, ideas, loyalty and experiences with companies that are stored in memory. Indicators to measure corporate image refers to Solomon (2007: 237), namely:

1. A set of impressions (impressions)
2. Trust (beliefs)
3. Attitude (attitudes)

Customer satisfaction (Y1) is the level of one's feelings after comparing the performance of the product (or result) that he felt with his hopes. The indicators used to measure customer satisfaction refer to Suwardi's research (2011), namely:

1. Re-purchase
2. Creating Word-of-Mouth
3. Creating Brand Image
4. Creating Purchasing decisions at the same Company

Loyalty (Y2) is customer loyalty after experiencing the services expressed in behavior to use company services and reflect the long-term bond between the company and consumers. The indicator used to measure customer loyalty refers to Griffin's research (2005: 31), namely:

1. Regular repeat
2. Purchases between product lines and services
3. Referring to others
4. Shows the immunity of attraction from competitors

Analysis of research data used to answer hypothesis in this study uses SEM PLS analysis.
Results and Discussion:

Test results Partial Least Square (PLS) in this study indicate that the test outer model, which consists of convergent validity, discriminant validity, and composite reliability has met the test requirements, so that the data is declared valid and reliable.

The value of $R^2$ is the customer satisfaction by 0.517, which means that 51.7% customer satisfaction is influenced by service quality and corporate image, while the remaining 48.3% is other factors outside the research model. Then, the value $R^2$ of customer loyalty amounted to 0.610, meaning that 61.0% of customer loyalty is influenced by the quality of service, corporate image and customer satisfaction, while the remaining 39.0% were other factors beyond the research model.

Based on the value of R Square customer satisfaction and customer loyalty, the value can be calculated Q-Square Predictive Relevance ($Q^2$) to see the strengths and weaknesses of this research model. According to Lathan and Ghozali (2012: 85), the value of Q-Square Predictive Relevance ($Q^2$) ranges from 0 (zero) to 1 (one), namely 0.35 (strong model), 0.15 (moderate model), and 0.02 (weak model). The formula for calculating Q-Square Predictive Relevance ($Q^2$) is as follows:

\[ Q^2 = 1 - (1-0.517)(1-0.610) \]
\[ Q^2 = 1 - (0.483)(0.390) \]
\[ Q^2 = 1 - 0.18837 = 0.81163 \]

Results of the calculations $Q^2$ 0.81163 of 81.16% indicates that the model can be explained by the relationship between variables in the research model, while the remaining 18.34 are other factors beyond the research model. Referring to the criteria of strength and weakness of the model based on the Q-Square Predictive Relevance ($Q^2$) value, as stated by Lathan and Ghozali (2006: 26), this model is classified as very strong.

The results of the significance of the path coefficients are summarized, it is used to test the research hypotheses. The direction of the influence of variables (positive or negative) can be seen from the sign of the path coefficient (column original sample on the SmartPLS output), while the path coefficient is said to be significant if $p$ value <5%.

The path coefficient influences service quality on customer loyalty of 0.294 with $p$ value of 0.007. The results of this test prove that service quality has a positive and significant effect on customer loyalty. The better the quality of service to customers, the customer loyalty at PT. BPR Padma Denpasar the better or vice versa the lower the quality of service, the lower the customer satisfaction. From the description above according to the research of Hidayat (2012), the results of research with a significant level of 5% indicate that: There is a positive and significant influence on the quality of service on customer loyalty and attitudes.

The path coefficient of the influence of the company's image on customer loyalty is 0.291 with $p$ value of 0.001. The results of this test prove that the company's image has a positive and significant effect on customer loyalty, meaning that the better the corporate image of the customer, the customer loyalty at PT. BPR Padma Denpasar the better or vice versa the lower the customer satisfaction. From the description above according to Abidin research (2016) The results of the study show that the coefficient of determination seen in the value is Adjusted R Square 0.378 which means that customer loyalty can be explained by the independent variables namely service quality, customer value, corporate image.

The path coefficient influence the quality of service on customer satisfaction by 0.562 with $p$ value of 0.000. The results of this test prove that service quality has a positive and significant effect on customer satisfaction. This means that the better the quality of service provided to customers at PT. BPR Padma Denpasar, the better customer satisfaction or vice versa the lower the quality of service provided to employees, the lower the customer satisfaction. The results of this study are in line with the results of research conducted by Joudeh & Dandis (2017) with the results of his research The quality of service affects customer satisfaction.

The path coefficient of the influence of corporate image on customer satisfaction is 0.264 with $p$ value 0.004. The results of this test prove that the company's image has a positive and significant effect on customer satisfaction, meaning that the better the company's image for customers, the customer satisfaction at PT. BPR Padma Denpasar the better or vice versa the lower the company's image to employees, the lower the customer satisfaction.
satisfaction. From the above description in accordance with research from Çetin (2017) which found results that customer satisfaction and positive brand image, which collectively influences customer satisfaction to be sustained sustainable growth.

The path coefficient influences customer satisfaction on customer loyalty of 0.347 with ρ value of 0.001. The results of this test prove that customer satisfaction has a positive and significant effect on customer loyalty, meaning that the better the satisfaction of the customer, the customer loyalty at PT. BPR Padma Denpasar the better or vice versa the lower the customer satisfaction, the lower the customer loyalty. From the description above is in accordance with research Joudeh & Dandis (2017) with the results of his research customer satisfaction which in turn can lead to better customer loyalty.

Conclusions and Suggestions:

Conclusions:

Based on the results of research and discussion related to the influence of service quality and of customer loyalty with customer satisfaction as an intervening variable at PT. BPR Padma Denpasar, the following conclusions can be drawn:

1. Service quality has a positive and significant effect on customer loyalty
2. Corporate image has a positive and significant effect on customer loyalty
3. Service quality has a positive and significant effect on customer satisfaction
4. Corporate image has a positive and significant effect on customer satisfaction
5. Corporate image has a positive and significant effect on corporate image
6. Customer satisfaction positively significantly mediates the effect of service quality on customer loyalty
7. Customer satisfaction positively significantly mediates the effect of corporate image on customer loyalty

Suggestions:

Based on results, discussions, and conclusions, it is recommended for PT. BPR Padma Denpasar to provide confidence and guarantees to the public/ Customer, that saving at PT BPR Padma Denpasar is profitable and safe by carrying out education and literacy about the role of the Bank is to provide services to the community.
either saving money or borrowing for businesses that can provide benefits. Its operations are regulated by a Government Institution, the Financial Services Authority (OJK). Then, explain transparently that public deposits at the Bank are guaranteed by the Government in this case by the Deposit Insurance Corporation (LPS), whose function is responsible for returning public deposits if the Bank is in trouble (liquidated) in accordance with applicable rules and regulations, and always submits reports. The publication is in accordance with the provisions regulated by the Authority so that the public / customer knows the business development of the Bank transparently.

Suggestions for PT BPR Padma Denpasar to be able to improve the company's image is by paying attention to the clean appearance of the service room (building), air-conditioned so that customers feel comfortable, then the Bank should always care about the surrounding environment in community activities through CSR (Corporate Social Responsibility) and able to serve the community / customers, both from products, services so that customers feel safe and comfortable.

Suggestions can be given so that PT.BPR Padma Denpasar can increase customer satisfaction by expanding the Office Network especially at the centers of community economic activities, such as the Cash Service Office, in every existing Branch. PT.BPR Padma Denpasar is also advised to improve Electronic Service systems such as EDC, Mobile Banking, SMS Banking or ATMs if regulations allow, and appoint Prime Service Agents, especially stalls/ shops in the shopping center/ Market (Smart behavior).

References:


