

THE EFFECT OF TRUST AND SERVICE QUALITY ON LOYALTY MEDIATED BY CUSTOMER SATISFACTION AT PT BANK NUSA TENGGARA TIMUR, WAINGAPU BRANCH OFFICE, INDONESIA

Tamu Rambu Makamuri 

Graduate Program in Management STIE Perbanas Surabaya, Indonesia

de_praxis@yahoo.com

Soni Harsono

Lecturer of Graduate Program in Management STIE Perbanas Surabaya, Indonesia

soni@perbanas.ac.id

Abstract

This research aimed to find out and explain the effect of trust and service quality on loyalty mediated by customer satisfaction at PT Bank Nusa Tenggara Timur, Waingapu Branch Office. The samples of this research were 150 respondents who were provided by a questionnaire consisting of open-ended and closed-ended questions by applying SEM (Structural Equation Modeling) method with the help of the PLS Wrap Program. The research findings showed that: Trust has a positive and significant effect on Customer Satisfaction, Service Quality has a positive and significant effect on Customer Satisfaction, Trust has a positive and significant effect on Customer Loyalty, Service Quality does not have significant effect on Customer Loyalty, Customer Satisfaction has a positive and significant effect on Customer Loyalty, Customer Satisfaction is not proven to be an intervening variable between the effect of Trust and Customer Loyalty, and Service Quality has indirect effect on Customer Loyalty.

Keywords: *Trust, Service Quality, Customer Satisfaction, and Customer Loyalty*

INTRODUCTION

In a modern world, the role of banks in advancing the economy of a country is considerable. Banking institutions are at the core of a country's financial system (Hermansyah, 2009). By understanding the needs, desires, and requests of customers, it will provide important input for companies to design marketing strategies in order to create satisfaction for their customers. Through customer satisfaction, companies try to build customer loyalty.

Customer loyalty is the customer's willingness to continue to buy something from a company in the long run and recommend the product to friends and colleagues, including preferences, desires, and future intentions (Lovelock and Wirtz, 2011). One factor affecting customer loyalty is customer trust. Trust is a belief that the actions of others or a group are consistent with their beliefs (El Junusi, 2009). Another factor affecting customer loyalty is service quality. According to Fandy (2000), service quality is the expected level of excellence and control over the level of excellence to meet customer desires. In addition to the factor of service quality, another factor affecting loyalty is satisfaction. Customer satisfaction is an encouragement of individual desires directed at the goal of obtaining satisfaction. It is important for companies to increase trust, service quality, and customer satisfaction to create customer loyalty at PT Bank Nusa Tenggara Timur, Waingapu Branch Office.

THEORETICAL FRAMEWORK AND HYPOTHESES

The trust that is indispensable in the banking industry is the main supporting factor for obtaining loyal customers. Trust arises because customers are satisfied with the services provided by the company.

Research conducted by Fasochah (2013) found that the direct effect between trust and customer loyalty is small from its indirect effect. However, research conducted by Mohammad Muzahid Akbar and Parvez (2009) showed that customer trust and satisfaction have a positive effect on customer loyalty.

H1: Trust has a positive and significant effect on customer satisfaction at PT Bank Nusa Tenggara Timur

Customers certainly have great expectations for the services that will be provided by the company. If the services can exceed expectations, then it can be said that the service quality of the company is good, and if the services cannot exceed the expectations, then it can be said that the service quality is bad. Based on research conducted by Sriayu and Mimba(2013), it showed that service quality has a positive and significant effect on customer satisfaction. Other studies also show the same thing that service quality has a positive and significant effect on

satisfaction based on research conducted by Setyanto (2010). Research conducted by Cronin et. al., (2005) found that service quality has a positive effect on customer satisfaction. In addition, the research conducted by EviOktvianiSatrianti found the same thing that the quality of services directly has a significant effect on customer satisfaction of Bank Muamalat in Surabaya.

H2: Service quality has a positive and significant effect on customer satisfaction at PT Bank Nusa Tenggara Timur

By understanding the needs, desires, and requests of the customers, it will provide important input for the company to design marketing strategies in order to create satisfaction for its customers. Through satisfaction, the company tries to build customer loyalty. It shows how important customer loyalty is to the company. Customer trust has an effect on loyalty in the form of intention to repurchase and increase the intensity of repurchase. (Ball et. al., 2004) found that the direct effect between trust and customer loyalty is small from its indirect effect. Meanwhile, research conducted by Mohammad Muzahid Akbar and NoorjahanParvez (2009) mentioned that trust and customer satisfaction have a positive effect on customer loyalty. Research conducted by SupriyadiMarlien found that trust has a positive effect on customer loyalty.

H3: Trust has a positive and significant effect on customer loyalty at PT Bank Nusa Tenggara Timur

Good service quality of a company can greatly affect customer satisfaction which leads to increased customer loyalty. The service quality of a company that is performed well will lead to a feeling of satisfaction because it is well served. Research conducted by Purnamawati and Ayu, (2014) showed that service quality has a positive and significant effect on customer loyalty. In addition, research conducted by Fasochah (2013) mentioned that the direct effect between service quality and customer loyalty is greater than its indirect effect. Moreover, according to EviOktvianiSatrianti, the service quality, customer satisfaction, and bank image partially have a significant effect on the loyalty of Bank Muamalat customers in Surabaya. That is similar to research conducted by SupriyadiMarlien who stated that service quality has a positive effect on customer loyalty.

H4: Service quality has a positive and significant effect on customer loyalty at PT Bank Nusa Tenggara Timur

Customer satisfaction is a condition in which customers' wishes, expectations, and needs are met. A service is considered satisfactory if the service can meet customer needs and

expectations. Tjiptono and Chandra (2005) suggest that “the product/service itself provides a level of fulfillment related to pleasant consumption, including the level of under-fulfillment and over-fulfillment”. Research conducted by Purnamawati and Ayu, (2014) found that satisfaction has a positive and significant effect on customer loyalty. Similarly, a research conducted by Setyanto, A. D. (2010) found that customer satisfaction has a positive and significant effect on customer loyalty. Research conducted by Kim et al., (2004) showed that customer satisfaction has a positive effect on customer loyalty.

H5: Customer satisfaction has a positive and significant effect on customer loyalty at PT Bank Nusa Tenggara Timur

Research conducted by Fasochah (2013) found that the direct effect between customer trust and customer loyalty is small from its indirect effect which means the customer satisfaction is the mediating variable. According to the research conducted by Akbar and Parvez (2009) customer trust and satisfaction have a positive effect on customer loyalty. Customer satisfaction is an important mediating variable between service quality and customer loyalty. Singh and Sirdeshmukh (2000) found that the direct effect of trust on customer loyalty is more dominant than the indirect effect of trust on customer loyalty through customer satisfaction.

H6: Trust has a positive and significant effect on loyalty mediated by customer satisfaction at PT Bank Nusa Tenggara Timur

Research conducted by Fasochah (2013) found that the direct effect between service quality and customer loyalty is greater than the indirect effect which means that customer satisfaction is not the mediating variable. Other research also found that customer satisfaction is an important mediating variable between service quality and customer loyalty (Akbar and Parvez, 2009). Similarly, Amin and Isa (2008) found that service quality has a significant effect on customer loyalty mediated by customer satisfaction at Bank Muamalat, Surabaya. In addition, Chiou and Droge (2006) research found that the direct effect of service quality on customer loyalty is more dominant than the indirect effect of service quality on customer loyalty through customer satisfaction.

H7: Service quality has a positive and significant effect on loyalty mediated by customer satisfaction at PT Bank Nusa Tenggara Timur

Based on the above explanation, the theoretical framework of this research is presented in the figure 1.

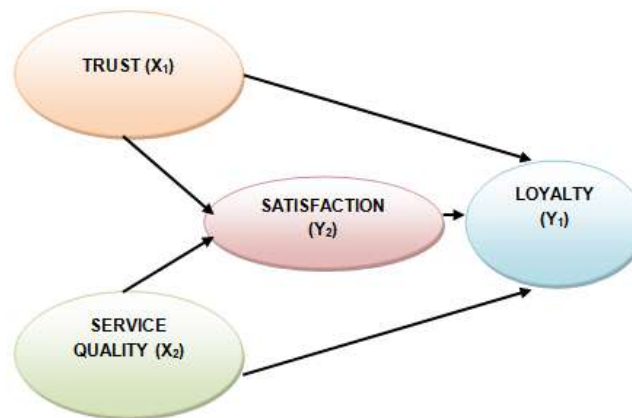


Figure 1. Theoretical Framework

Identification of the Variables

The variables of this research can be identified into 3 i.e. exogenous variable, intervening variable, and endogenous variable.

- 1) Exogenous variable is independent variable that is not affected by other variables in the model. In this research, the exogenous variables are represented by the constructs of Trust (X₁) and Service Quality (X₂).
- 2) Intervening variable is endogenous variable and also independent variable that affect other endogenous variables in a model. In this research, the intervening variable is represented by Customer Satisfaction (Y₂).
- 3) Endogenous variable is dependent variable that is affected by other variables in a model. In this research, the endogenous variable is represented by the construct of Customer Loyalty (Y₁).

METHODOLOGY

The research adopted descriptive research design. Respondents of this research are customers who had visited Bank Nusa Tenggara Timur which amounted to 150 respondents who are successfully collected and are valid from customers who had visited Bank Nusa Tenggara Timur. The following is a description of the respondent characteristics. Population is an area of generalization that consists of objects or subjects that have a certain quantity and characteristics set by the researcher to be studied and then drawn the conclusions (Sugioyono, 2010). The population of this research is the customers of PT Bank Nusa Tenggara Timur, Waingapu Branch Office.

The samples of this research are individual savings customers at PT Bank Nusa Tenggara Timur, Waingapu Branch Office. The size of the samples has an important role in

interpreting the SEM results. The sample size provides a basis for estimating sampling error (Ghozali, 2008). Ferdinand (2002) stated that the appropriate sample size for SEM analysis ranges from 100-200. Based on the views above, the samples set in this research are 150 respondents. In this research, the authors applied purposive sampling. According to Sugiyono (2010), purposive sampling is a technique for determining a sample of research with certain considerations that aim to obtain more representative data. Respondent requirements:

1. Individual savings customers at PT Bank Nusa Tenggara Timur, Waingapu Branch Office.
2. Have a minimum visit frequency twice a month.

ANALYSIS AND FINDINGS

Sex of the Respondents

Table 1. Description of the Sex of the Respondents

Sex	Number of the Respondents	Percentage (%)
Male	85	56.7
Female	65	43.3
Total	150	100.0

Based on Table 1, it is known that the majority of respondents are male that is amounted to 85 people or 56.7%. In addition, female respondents amount to 65 people or 43.3%. It means that out of 150 customers, the majority are male.

Occupation of the Respondents

Table 2. Description of the Occupation of the Respondents

Occupations	Number of the Respondents	Percentage (%)
Entrepreneur	25	16.7
Civil Servants/ SOE Employees	95	63.3
Private Employees	15	10.0
Housewives	12	8.0
Others	3	2.0
Total	150	100.0

Based on Table 2, it is known that the majority or most customers have occupation as Public Servants/ SOE (State-Owned Enterprises) Employees with a total of 95 people or 63.3%, customers who work as entrepreneurs amount to 25 people or 16.7%, customers who work as private employees amount to 15 people or 10.0%, 12 people or another 8.0% are housewives, and the remaining only 3 people or 2.0% have other types of occupation.

Income of the Respondents

Table 3. Description of the Occupation of the Respondents

Income	Number of the Respondents	Percentage (%)
< 1 million	7	4.7
1 -1.5 million	18	12
1.5 - 2 million	32	21.3
>2 millions	93	62
Total	150	100.0

Based on Table 3, it is known that the majority of customers have an income of > 2 million which amounts to 93 people or 62%, while those who have income < 1 million are only 7 people or 4.7%, customers who have income of 1 - 1.5 million are 18 people or 12%, and customers who have an income of 1.5 - 2 million totaling 32 people or 21.3%.

Frequency of Visits

Table 4. Description of the Frequency of Visits

Frequency of Visits	Number of the Respondents	Percentage (%)
2 timesa month	34	22.7
3-6 timesa month	116	77.3
Total	150	100.0

Based on Table 4, it is known that the majority of customers have a frequency of visits 3-6 times a month that amount to 116 people or 77.3%, while the rest there are only 34 people or 22% who have a frequency of visits 2 times a month.

Description of Research Variables

Descriptive Analysis of Trust Variable (X_1)

Table 5. The Results of Respondents' Statements on the Trust Variable (X_1)

No.	Indicators	Descriptive Statistics		
		Mean	Category	Std. Dev.
1.	The performance is in accordance with customer expectations	4.29	SA	0.671
2.	Trust in work is in accordance with SOPs	4.11	A	0.734
3.	Provide the appropriate work	4.07	A	0.609
4.	Have trust that the service is good and consistent	4.27	SA	0.730
Overall Average of Trust Variable (X_1)		4.18	A	0.686

In the Trust variable, Table 5 shows that the customer stated Strongly Agree (SA) to the statement "The performance is in accordance with customer expectations" and "Have trust that the service is good and consistent" with the highest average values of 4.29 and 4.27. In addition, the customers stated Agree (A) to the statement "Trust in work is in accordance with SOPs" and "Provide the appropriate work" with the average values of 4.11 and 4.7.

Meanwhile, the overall Trust variable obtains an average value of 4.5. By observing these results, 150 customers on average give answers to the questionnaire with "Agree" (in class intervals of $3.40 < X \leq 4.20$). The result of the minimum standard deviation is 0.609 which means that it obtains data with variability or diversity of data that is getting smaller or more homogeneous, while the maximum standard deviation is 0.734 which means that there is a large variability of data.

Descriptive Analysis on Service Quality Variable (X_2)

Table 6. The Results of Respondents' Statements on the Service Quality Variable (X_2)

No.	Indicators	Descriptive Statistics		
		Mean	Category	Std. Dev.
Physical Evidence				
1.	The strategic location of Bank NTT	4.13	A	0.791
2.	Appearance of the staffs who attract attention	3.98	A	0.807

No.	Indicators	Descriptive Statistics		
		Mean	Category	Std. Dev.
3.	Up-to-date office facilities	3.87	A	0.766
4.	Maintaining office cleanliness	4.21	SA	0.797
5.	Attractive office exterior	3.95	A	0.805
Reliability				
6.	Bank services are in accordance with the promises	3.84	A	0.743
7.	Timeliness of the service	4.07	A	0.887
8.	Request verification is done well	4.14	A	0.803
9.	Sincerity of Bank NTT employees in providing assistance	4.10	A	0.801
Responsiveness				
10.	Staff availability to provide assistance	4.29	A	0.805
11.	Notification of service time	3.99	A	0.773
12.	Speed of service for the customers	3.93	A	0.672
13.	Readiness in providing services	4.00	A	0.714
Guarantee				
14.	Having trust in staff capabilities	3.99	A	0.675
15.	Staff politeness in providing services	4.21	SA	0.813
16.	A sense of security in conducting transactions	4.17	A	0.886
17.	The staffs build customer trust	4.18	A	0.883
Empathy				
18.	Greet customers with their names and clearly	4.05	A	0.817
19.	The staffs apologize for inconveniences in service	4.21	SA	0.816
20.	Understanding the needs of Bank NTT customers	4.11	A	0.743
21.	Bank NTT staffs carry out personal attention	4.09	A	0.851
22.	Fast and precise operational time	4.13	A	0.762
Overall Average of Service Quality Variable (X_2)		4.07	A	0.791

Based on Table 6 above, it is known that the majority of respondents stated “Staff availability to provide assistance” which has the largest average value of 4.29 with a standard deviation of 0.805. Meanwhile, the overall Service Quality variable has an average value of 4.07 with a standard deviation of 0.791. It means that the respondent gives an “agree” assessment on the Service Quality variable. By observing these results, the majority of 150 customers on average give “Agree” answers to the questionnaire (in class intervals of $3.40 < X \leq 4.20$). The result of the minimum standard deviation is 0.672 which means that the data with variability or diversity of

data is getting smaller or increasingly homogeneous. Meanwhile, the maximum standard deviation value is 0.887 which means that there is large data variability.

Descriptive Analysis of Loyalty Variable (Y_1)

Table 7. The Results of Respondents' Statements on the Loyalty Variable (Y_1)

No.	Indicators	Descriptive Statistics		
		Mean	Category	Std. Dev.
1.	Consider Bank NTT as the first choice	4.07	A	0.580
2.	Recommend Bank NTT to the relatives	4.23	SA	0.615
3.	Speak positively about Bank NTT	4.08	A	0.681
4.	Have the intention to continue to make transactions	4.36	SA	0.658
Overall Average of Loyalty Variable (Y_1)		4.19	A	0.634

Based on Table above, it is known that the majority of respondents stated "Have the intention to continue to make transactions" with the highest average score of 4.36. Meanwhile, the overall Loyalty (Y_1) variable has an average value of 4.19 with a standard deviation value of 0.634. It means that the respondents give the agree rating as well. By observing these results, the majority of 150 customers on average give "Agree" answers to the questionnaire (in class intervals of $3.40 < X < 4.20$). The result of the minimum standard deviation value is 0.580 which means that it has data with variability or diversity of data that is getting smaller or increasingly homogeneous. Meanwhile, the maximum standard deviation value is 0.681 which means that there is a large variability of data.

Descriptive Analysis of Satisfaction Variable (Y_2)

Table 8. The Results of Respondents' Statements on the Satisfaction Variable (Y_2)

No.	Indicators	Descriptive Statistics		
		Mean	Category	Std. Dev.
1.	The suitability of benefits with costs	4.01	A	0.650
2.	Satisfaction with the provided services	3.97	A	0.612
3.	Satisfaction on the offered product	4.03	A	0.655
4.	Overall satisfaction	4.05	A	0.763
Overall Average of Satisfaction Variable (Y_2)		4.01	A	0.670

Based on Table 8 above, it is known that the majority of respondents stated “Overall satisfaction” has the highest average value of 4.05. Meanwhile, overall satisfaction variable has an average value of 4.01 with a standard deviation value of 0.670. It means that the respondent also provides an agree assessment on the customer satisfaction variable. By observing these results, the majority of 150 customers on average give “Agree” answers to the questionnaire (in class intervals of $3.40 < X < 4.20$). The result of the minimum standard deviation value is 0.612 which means that it has the data with variability or diversity of data that is getting smaller or increasingly homogeneous. Meanwhile, the maximum standard deviation value of 0.7.63 means that there is a large variability of the data.

CONCLUSIONS

Based on the research findings, the conclusions that can be drawn are as follows:

1. Trust has a positive and significant effect on Customer Satisfaction at PT Bank Nusa Tenggara Timur, Waingapu Branch Office. Thus, the first hypothesis of this research stating that “Trust has a positive and significant effect on customer satisfaction at PT Bank Nusa Tenggara Timur” is accepted.
2. Service Quality has a positive and significant effect on Customer Satisfaction at PT Bank Nusa Tenggara Timur, Waingapu Branch Office. Thus, the second hypothesis of this research stating that “Service quality has a positive and significant effect on customer satisfaction at PT Bank Nusa Tenggara Timur” is accepted.
3. Trust has a positive and significant effect on Customer Loyalty at PT Bank Nusa Tenggara Timur, Waingapu Branch Office. Thus, the third hypothesis of this research stating that “Trust has a positive and significant effect on customer loyalty at PT Bank Nusa Tenggara Timur” is accepted.
4. Service quality does not have a positive and significant effect on Customer Loyalty at PT Bank Nusa Tenggara Timur, Waingapu Branch Office. Thus, the fourth hypothesis of this research stating that “Service quality has a positive and significant effect on customer loyalty at PT Bank Nusa Tenggara Timur” is rejected.
5. Customer Satisfaction has a positive and significant effect on Customer Loyalty at PT Bank Nusa Tenggara Timur, Waingapu Branch Office. Thus, the fifth hypothesis of this research stating that “Customer satisfaction has a positive and significant effect on customer loyalty at PT Bank Nusa Tenggara Timur” is accepted.
6. There is no indirect effect between trust and customer loyalty through customer satisfaction. Thus, the sixth hypothesis of this research stating that “Trust has a positive

and significant effect on loyalty mediated by customer satisfaction at PT Bank Nusa Tenggara Timur” is rejected.

7. Service quality has a positive and significant effect on customer loyalty through customer satisfaction. Thus, the seventh hypothesis of this research stating that “Service quality has a positive and significant effect on loyalty mediated by customer satisfaction at PT Bank Nusa Tenggara Timur” is accepted.

LIMITATIONS OF THE RESEARCH

In conducting this research, there are some limitations that might occur, including:

1. Along with the development of technology and information, there are several other factors affecting customer loyalty and customer satisfaction at PT Bank Nusa Tenggara Timur, Waingapu Branch Office other than trust and service quality.
2. There is a limitation of research in using the questionnaires: the answers given by respondents often do not show the real situation for various reasons.

SUGGESTIONS

Based on the analysis that has been carried out, the following suggestions can be given:

1. It is expected that PT Bank Nusa Tenggara Timur can improve customer loyalty by paying attention to the extent of customer trust in the bank. It can be carried out by providing performance of services that can satisfy the customers.
2. It is expected that PT. Bank Nusa Tenggara Timur can improve customer satisfaction by paying attention to the provided service quality, especially on its reliability which should be able to provide services in accordance with the promise. It is carried out by providing training to employees to perform their duties in accordance with the applicable SOP.
3. It is expected that further research can enrich the findings of this research by adding other variables that may affect customer satisfaction and customer loyalty and apply other methods such as qualitative method that collects the data by using interviews to obtain more complex results.

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