



**FACTOR ANALYSIS OF RELIABILITY, RESPONSIVENESS,
ASSURANCE, EMPATHY AND TANGIBLES TO
SATISFACTION AND SHARIA BANK CUSTOMER LOYALTY
(CASE STUDY OF ISLAMIC COMMERCIAL BANKS IN
NORTH SUMATERA PROVINCE, INDONESIA)**

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Abstract

This study aims to determine the effect of service quality as reflected in tangible, reliability, assurance, responsiveness and empathy factors on customer satisfaction and loyalty to Islamic Commercial Banks. This study used a quantitative approach. Research data obtained from respondents amounted to 100 people based on a questionnaire that was prepared according to the research objectives. The data was tabulated and processed with the application of partial least squares to explain the relationship between constructs. Data analysis was done using Structural Equation Modeling (SEM). The results showed that service quality is strongly influenced by physical evidence, reliability, responsiveness, assurance and empathy, where the coefficient value of 1,000 service quality variables is closely related to customer satisfaction. Next, the relationship between customer satisfaction and loyalty shows a coefficient of 0.384 or 38.4% customer satisfaction affects their loyalty, then 61.6% is influenced by other factors. The relationship between service quality and loyalty shows a coefficient of 0.680 or 68% of service quality affects loyalty, while 32% is influenced by customer satisfaction factors.

Keywords: Service Quality, Customer Satisfaction, Customer Loyalty, Islamic Banking, Islamic Commercial Bank, SEM

INTRODUCTION

The banking sector has a strategic position as an intermediary institution that supports the national economy. Therefore, the role of national banking, including Islamic banking, needs to be improved according to its function in collecting and distributing public funds, as well as providing other banking services.

After the amendment to the banking law, the growth of Islamic banking in Indonesia increased significantly because banks were able to open Sharia Business Units. In addition, to increase the growth of Islamic banks, conventional banks are also allowed to convert their business activities based on sharia principles by obtaining permission from the Financial Services Authority (OJK).

In the last 5 years (2016-2020) Islamic banking has experienced significant growth as listed in the Table 1.

Table 1. Office Network, Assets, Third Party Funds, Islamic Banking Financing and Profit

| Indicator | Period | | | | |
|---------------------------------------|----------|----------|----------|----------|----------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Sharia Commercial Bank | | | | | |
| Bank Amount | 13 | 13 | 14 | 14 | 14 |
| Office Amount | 1,869 | 1,825 | 1,875 | 1,919 | 2,034 |
| Assets (in billion rupiah) | 2,54,184 | 2,88,027 | 3,16,691 | 3,50,364 | 3,97,073 |
| Third-party funds (in billion rupiah) | 2,06,407 | 2,38,393 | 2,57,606 | 2,88,978 | 3,22,853 |
| Financing (in billion rupiah) | 1,77,482 | 1,89,789 | 2,02,298 | 2,25,146 | 2,46,532 |
| Profit (in billion rupiah) | 1,426 | 1,697 | 3,806 | 5,598 | 5,087 |
| Sharia Business Unit | | | | | |
| Bank Amount | 21 | 21 | 20 | 20 | 20 |
| Office Amount | 339 | 344 | 354 | 381 | 392 |
| Assets (in billion rupiah) | 1,02,320 | 1,36,154 | 1,60,636 | 1,74,200 | 1,96,875 |
| Third-party funds (in billion rupiah) | 72,928 | 96,495 | 1,14,222 | 1,27,580 | 1,43,124 |
| Financing (in billion rupiah) | 70,525 | 95,906 | 1,17,895 | 1,30,036 | 1,37,412 |
| Profit (in billion rupiah) | 1,529 | 2,726 | 3,127 | 3,328 | 3,247 |

Source: OJK Sharia Banking Statistics December 2020.

In North Sumatera Province, according to the Financial Services Authority Sharia Banking Statistics as of December 2020, the distribution of the Sharia Commercial Bank office network consists of 25 Branch Offices, 51 Sub-Branch Offices and 5 Cash Offices. The data on assets, third party funds and financing are as follows:

Table 2. Assets, Third Party Funds and Financing of Islamic Commercial Banks in North Sumatera Province (in billion Rupiah)

| Indicator | Period | | | | |
|-------------------|--------|-------|-------|-------|-------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Assets | 6.503 | 7.022 | 7.842 | 9.134 | 9.836 |
| Third-party funds | 5.191 | 5.844 | 6.361 | 7.507 | 8.352 |
| Financing | 4.848 | 5.140 | 6.571 | 6.571 | 7.383 |

Source: OJK Sharia Banking Statistics December 2020

Table 2 above shows the increase in assets, third party funds and financing of Islamic Commercial Banks in North Sumatera Province where assets increased from Rp.6.503 billion in 2016 to Rp.9.836 billion in 2020. The same is true for third party funds from Rp. .5,191 billion in 2016 to Rp.8,352 billion. Financing also grew from IDR 4.848 billion in 2016 to IDR 7.383 billion in 2020.

The importance of the role of Islamic banks in the economy in Indonesia encourages various efforts to improve and develop Islamic banks which are supported by factors of service quality improvement and customer or customer satisfaction that will increase customer loyalty of Islamic banks. On that basis, the research was conducted, namely to see the effect of service quality as reflected in tangible, reliability, assurance, responsiveness and empathy factors on the satisfaction and loyalty of Islamic bank customers.

LITERATURE REVIEW

Service Quality

Service quality is the totality of the characteristics of goods and services that show their ability to satisfy customer needs, both visible and hidden. For companies engaged in the service sector, providing quality services to customers is an absolute thing that must be done if the company wants to achieve success (Kotler, 2000). The factors that influence the quality of service developed by Parasuraman, Zeithalm and Berry (Zhou, 2004) are tangible, reliability, assurance, responsiveness and empathy.

Customer Satisfaction

The main key to winning the competition is to provide value and satisfaction to customers for the products or services offered (Tjiptono, 2008). Furthermore, increased customer satisfaction has the potential to lead to long-term and short-term sales growth, as well as market share as a result of repeat purchases. One of the benefits of customer satisfaction is customer loyalty (Tjiptono and Chandra, 2012).

According to Gryna, (2001) customer satisfaction is the degree to which customers believe that their expectations are met or exceeded by the benefits received. Customer expectations affect customer satisfaction.

According to Kuswadi, (2004) the factors that influence customer satisfaction include product/service quality, service quality, price, delivery time and security.

Customer Loyalty

According to Hasan, (2008) loyalty customer is defined as a person who buy, especially those who buy regularly and over and over again. Customers are someone who continuously and repeatedly come to the same place for satisfy his desire by having a product or get a service and pay the product or service.

According to Beerli, Martin & Quintana, (2004) customer loyalty has a positive correlation with a company's business performance. Customer loyalty not only increases the value in the

business, but can also attract new customers. In the short term, improving customer loyalty will bring profits to sales. Profit is the main motive in business, with profit the wheels of business turnover and the products and services offered are developed as well as expanding the market served. In the long term, improving loyalty will generally be more profitable, namely customers are willing to pay higher prices (to loyal buyers), provide cheaper services and are willing to recommend to new customers (word of mouth marketing).

Research Concept Framework

The conceptual framework in this study is to see the influence between variables, where this study will analyze the effect of reliability, responsiveness, assurance, empathy and tangibles to satisfaction and sharia bank customer loyalty. The following is the relationship between variables. Thus the frame of mind can be described as follows:

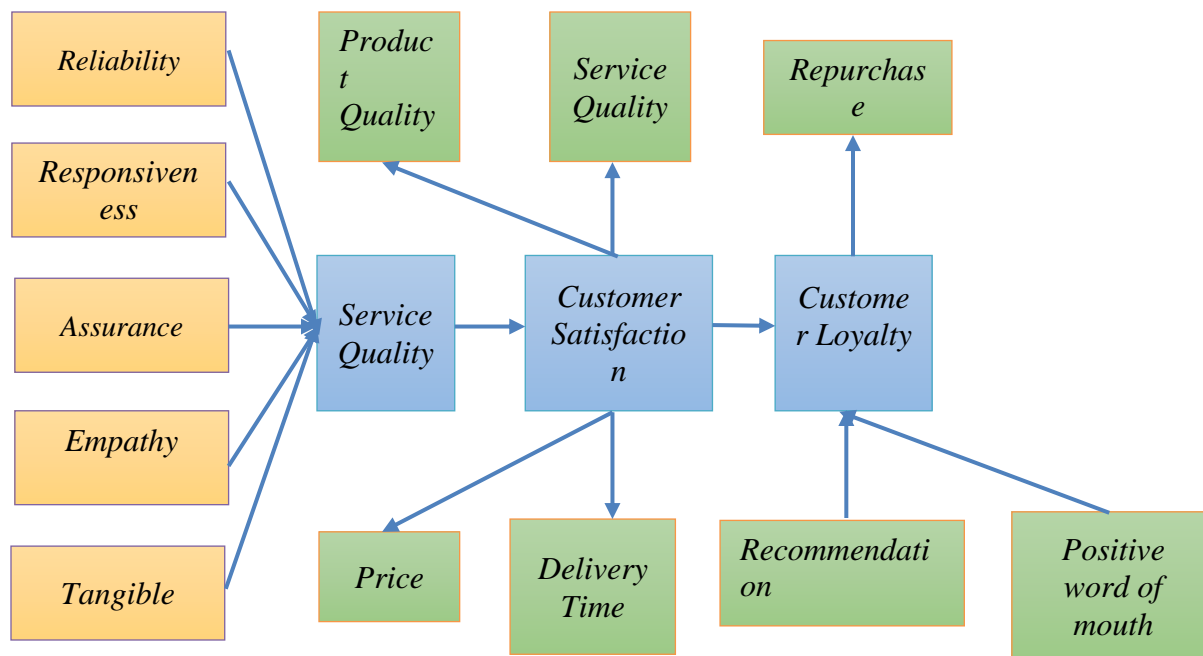


Figure 1. Research Conceptual Framework

METHODOLOGY

Research Objects and Locations

According to Sugiyono, (2012), the object of research can be expressed as a social situation of research that wants to know what is happening in it. In the object of this research, researchers can observe in depth the activities of people (actors) in a certain place. The objects of this research are customers who use Sharia Commercial Bank services in North Sumatra Province.

Population and Sample

Population is the total number of units or objects of analysis whose characteristics are to be estimated. According to Sugiyono, (2012), the population is a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions. The population in this study is the customer of Islamic Commercial Bank service users in North Sumatra Province. The sample size taken in the study was 100 people. Where respondents will be given an online questionnaire to fill out.

According to Sugiyono, (2012), the sample is part of the number and characteristics of the population. The sample in this study uses a non-probability and purposive sampling technique. The questionnaire was made online and classified according to the criteria of customers who are at least 18 years old and already have their own income, have saved money in Islamic banks and are loyal customers of Islamic banks for the period January 2021 - May 2021.

Types of Research

The type of research used is quantitative associative research, which is to determine the relationship between two or more variables.

Data Types and Sources

In this study, data were obtained from two sources, namely primary and secondary data.

1. Primary data was data collected using online questionnaire
2. Secondary data was obtained from the OJK Sharia Banking statistical report for 2016-2020.

Research Variable

This research consists of 3 variables, namely:

1. Quality of service (X) includes: physical evidence (X1), reliability (X2), responsiveness (X3), assurance (X4) and empathy (X5).
2. Customer satisfaction (Z) includes: product quality (Z1), service quality (Z2), price (Z3) and delivery time (Z4)
3. Loyalty (Y) includes: repeat purchases (Y1), positive word of mouth communication (Y2) and recommendations (Y3).

Data Analysis Method

The analytical method used is Partial Least Square (PLS) using WarpPLS. PLS is a component-based Structural Equation Modeling (SEM) method that aims at prediction. The

Partial Least Square (PLS) technique is widely used for complex causal- predictive analysis, and is not supported by theory with exploratory purposes (Hartono, 2007; Solihin, 2013). In WarpPLS analysis by applying WarpPLS software, all input data will be converted into standardized data, in the third step of analysis using the WarpPLS 7.0.

RESULTS AND DISCUSSION

Reliability Test

Reliability testing aims to ensure that the research instrument can be presented in the form of a concept measure consistently without any deviation. Consistency of the results can be shown if the measurement of the same subject obtained results that are not different (Hartono, 2008). In this study, the reference is Cronbach's Alpha Coefficient (Hartono, 2008) as a reliability test. Cronbach's Alpha tolerance value of 0.50 - 0.60 is considered reliable. A variable is said to be more reliable if it has Composite (coefficient > 0.60 or close to 1). The test results show the following results:

Table 3. Reliability Test

| Composite reliability coefficients | | Cronbach's alpha coefficients | |
|------------------------------------|-------|-------------------------------|-------|
| Quality of Service | 0,798 | Quality of Service | 0,724 |
| Customer Satisfaction | 0,527 | Customer Satisfaction | 0,651 |
| Loyalty | 0,754 | Loyalty | 0,875 |

The basis used in the reliability test is the value of Composite reliability coefficients and Cronbach's alpha coefficients above 0.5. The results in table 7 above indicate that the questionnaire instrument in this study has met the requirements of the reliability test.

Validity Test

Validity according to Hartono (2008) is to show that the question instrument really measures what it is supposed to measure. Validity in this study is a test of measuring instruments to be able to measure its objectives in a real and correct way. A measuring instrument is said to be valid if it can measure its purpose in a real and correct way. Meanwhile, a measuring instrument that cannot measure its purpose in a real and correct way is said to be invalid.

The validation test criteria are using the loadings factor criteria (cross-loadings factor) with a value of more than 0.50 and the average variance extracted (AVE) with a value exceeding 0.50 for the convergent validity test and for the discriminant validity test using a

comparison of the roots of the AVE with correlation between variables. The construct AVE value should be higher than the correlation between latent variables (Solihin, 2013). The test results show the following results :

Table 4. Combined Loadings and Cross Loading Factor

| | Quality of Service | Customer Satisfaction | Loyalty |
|------------------------|---------------------------|------------------------------|----------------|
| Physical Evidence | (0.542) | 0.480 | 0.206 |
| Reliability | (0.989) | 0.047 | 0.075 |
| Responsiveness | (0.734) | 0.561 | 0,315 |
| Assurance | (0.989) | 0.047 | 0.075 |
| Empathy | (0.706) | 0.057 | 0.126 |
| Product Quality | 0.148 | (0.790) | 0.095 |
| Service Quality | 0.110 | (0.766) | 0.481 |
| Price | 0.014 | (0.500) | -1.464 |
| Delivery Time | 0.00 | (0.635) | (0.154) |
| Repeat Purchase | 0.355 | 0.430 | (0.671) |
| Positive Word of Mouth | | | |
| Communication | 0.205 | 0.107 | (0.510) |
| Recommedations | 0.437 | 0.315 | (0.675) |

Table 5. Comparison of Roots of AVE with Correlation between Variables

| Variables | Quality of Service | Customer Satisfaction | Loyalty |
|-----------------------|---------------------------|------------------------------|----------------|
| Quality of Service | (0.547) | 0.134 | 0.632 |
| Customer Satisfaction | 0.133 | (0.732) | 0.382 |
| Loyalty | 0.632 | 0.382 | (0.643) |

Table 5 above shows that the square roots value of AVE for each construct is greater than the correlation value, so that the construct in this research model can still be said to have good discriminant validity. Thus the instrument used in this study has met all the provisions of the validity test.

Hypothesis Test

The hypothesis is accepted if the p value <0.05. The path coefficient value aims to see the direction of the correlation coefficient relationship. A positive correlation coefficient indicates

a positive relationship between variables. The test of this research also looks at the coefficient of determination (R2). This value explains the variation of the dependent variable. The value of R2 is between the values of zero to one. If the value is zero, it cannot explain the variation in the dependent variable, while if it is worth one, the independent variable explains one hundred percent of the variation in the dependent variable. The results of the partial least square (PLS) calculation are as follows:

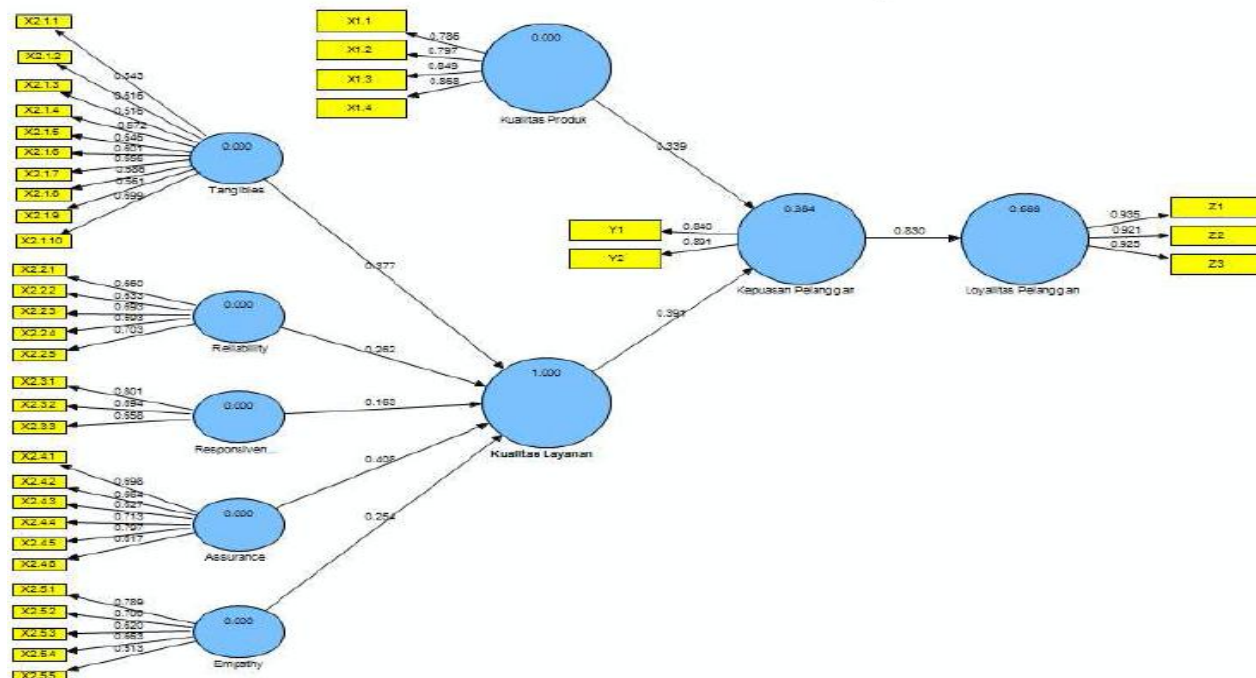


Figure 2. Results of Hypothesis Testing Using WARP PLS 7

From the output of SmartPls 7.0, the results of hypothesis testing can be summarized as in the following table:

Table 6. Summary of Research Results

| Variables | Coefficient | p-Value | Ideal | Remarks |
|-----------------------|-------------|---------|--------|----------|
| Quality of Service | 1.000 | < 0.01 | < 0.05 | Accepted |
| Customer Satisfaction | 0.384 | < 0.01 | < 0.05 | Accepted |
| Loyalty | 0.680 | < 0.01 | < 0.05 | Accepted |

From the summary of the research results in table 10 above, it can be seen that the three proposed hypotheses are accepted.

DISCUSSION

The results showed that service quality has a positive and significant relationship with customer satisfaction, which is indicated by the coefficient value of 1,000, which means the hypothesis is accepted and explains the positive and significant relationship between service quality and customer satisfaction. The results of the study are in line with research conducted by Azidni, (2021) which states that service quality has a positive effect on trust and satisfaction, satisfaction is a medium between service quality and customer loyalty of Islamic banks.

Next, the relationship between customer satisfaction and loyalty shows a coefficient of 0.384 which means the hypothesis is accepted, then there is a positive and significant relationship between customer satisfaction and loyalty. The results of this study are still in line with research conducted by Tuti et al (2014) that there is a significant direct effect between customer satisfaction and customer loyalty. The positive regression coefficient indicates that the higher the customer satisfaction, the customer loyalty will also increase.

Likewise, the relationship between service quality and loyalty shows a coefficient of 0.680 which means the hypothesis is accepted, which explains that there is a positive and significant relationship between service quality and loyalty. The results of the study are in line with research conducted by Ulfa, (2018) and Dilham et al (2018), namely there is a positive and significant influence between service quality on customer loyalty and customer satisfaction as an intervening variable.

CONCLUSION

From the research results that have been discussed, the authors draw the following conclusions:

1. The results showed that service quality was strongly influenced by physical evidence, reliability, responsiveness, assurance and empathy factors. The results showed that the coefficient value of 1,000 service quality variables was closely related to customer satisfaction.
2. The relationship between customer satisfaction and loyalty shows a coefficient of 0.384, meaning that 38.4% of customer satisfaction affects loyalty and another 61.6% is influenced by other factors.
3. The relationship between service quality and loyalty shows a coefficient of 0.680, which means that 68% of service quality affects loyalty and 32% is influenced by customer satisfaction factors.

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