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THE INFLUENCE OF SERVICE QUALITY AND CUSTOMER SATISFACTION ON CUSTOMER LOYALTY AT BANK BPD BALI

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Abstract:
This study aims to analyze the influence of service quality and customer satisfaction on customer loyalty at Bank BPD Bali. This study uses a quantitative approach with a survey method by distributing questionnaires to 150 active customer respondents of Bank BPD Bali. The data analysis technique used is multiple linear regression with the help of the SPSS program version 25. The results of the study indicate that service quality has a positive and significant effect on customer loyalty, as well as customer satisfaction has a positive and significant effect on customer loyalty. In addition, the results of the F test indicate that service quality and customer satisfaction simultaneously have a significant effect on customer loyalty. The coefficient of determination (R^2) value of 0.486 indicates that 48.6% of the variation in customer loyalty can be explained by service quality and customer satisfaction, while other factors outside the research model influence the rest. This finding emphasizes the importance of improving service quality and customer satisfaction as a primary strategy in building long-term customer loyalty at Bank BPD Bali.
Keywords: Service Quality; Customer Satisfaction; Customer Loyalty

INTRODUCTION

The banking industry plays a vital role in supporting national economic growth, particularly through its financial intermediation function, which involves collecting funds from the public and redistributing them in the form of credit (Kasmir, 2014). The development of digital technology and increasing competition among banks, including private banks, state-owned banks, and regional development banks, requires every banking institution to continuously improve the quality of its services to remain competitive and maintain customer loyalty.

Customer loyalty is a valuable asset for a bank, as loyal customers not only make repeat transactions but are also willing to recommend the bank to others, creating a positive word-of-mouth marketing effect (Griffin, 2005). In this context, service quality and customer satisfaction play a crucial role as determinants of loyalty.

Service quality can be defined as a company's efforts to meet customer needs and expectations through reliable, fast, accurate, and convenient service (Parasuraman, Zeithaml, & Berry, 1988). Previous research shows that service quality has a significant influence on customer satisfaction and loyalty (Tjiptono, 2016). The higher the quality of service provided, the greater the chance of achieving customer satisfaction and loyalty.

In addition to service quality, customer satisfaction is also a key factor in building loyalty. Customer satisfaction arises when the service provided meets or even exceeds expectations (Kotler & Keller, 2016). According to research by Rizan, Saidani, and Sari (2014), customer satisfaction acts as a mediating variable that strengthens the relationship between service quality and loyalty. This means that good service quality will lead to satisfaction and ultimately drive loyalty.

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The Regional Development Bank (BPD) Bali, as a regional financial institution, plays a vital role in supporting economic development in Bali by providing banking services that reach the community at the regional level. However, in the face of increasingly fierce banking competition, BPD Bali is required to focus not only on product provision but also on maintaining service quality that can create satisfaction and increase customer loyalty.

Several previous studies in the banking sector also demonstrate a strong relationship between service quality, satisfaction, and customer loyalty. Research by Setiawan and Sayuti (2017) found that service quality positively influences customer satisfaction and loyalty at banks in Indonesia. A similar study by Putri and Suwitho (2019) found that customer satisfaction is a key determinant of maintaining loyalty in the banking sector.

Based on this description, it is important to research "The Effect of Service Quality and Customer Satisfaction on Customer Loyalty at Bank BPD Bali." This research is expected to provide both theoretical and practical contributions. Theoretically, this research can enrich the study of marketing management, particularly in the context of regional banking. Practically, this research can provide strategic input for BPD Bali in improving service quality, creating satisfaction, and maintaining customer loyalty amidst the increasingly competitive banking industry.

Service Quality. Service quality is the expected level of excellence and the control over that level of excellence to meet customer needs (Tjiptono, 2016). Good service quality will create positive customer perceptions of the bank, thereby fostering satisfaction and trust.

Parasuraman, Zeithaml, and Berry (1988) developed the SERVQUAL model with five main dimensions to measure service quality:

- Tangibles: including facilities, equipment, and employee appearance.
- Reliability: the ability to provide services as promised accurately and dependably.
- Responsiveness: the willingness to help customers and provide prompt service.
- Assurance: the knowledge, friendliness, and ability of employees to inspire trust.
- Empathy: the personal attention and good communication with customers.

According to Lupiyoadi (2013), service quality is crucial for a bank's success in retaining customers, as customers tend to choose banks that provide a more satisfying service experience than their competitors.

Customer Satisfaction. Customer satisfaction is a person's feeling of pleasure or disappointment that arises after comparing the perceived performance (results) of a product or service with expectations (Kotler & Keller, 2016). If service performance exceeds expectations, the customer will be satisfied; if it falls short of expectations, the customer will be disappointed.

Indicators of customer satisfaction, according to Oliver (1997), include:

- Overall satisfaction with bank services.
- Congruence between the service received and initial expectations.
- Feelings of pleasure after using the service.
- Tendency to reuse the bank's products or services.
- Willingness to recommend the bank to others.

Research by Rizan, Saidani, and Sari (2014) states that customer satisfaction can mediate the relationship between service quality and loyalty, meaning that the more satisfied customers are with the service, the greater the opportunity for loyalty to form.

Customer Loyalty. Customer loyalty is a strong commitment to consistently repurchase or reuse a particular product/service in the future, despite situational influences and marketing efforts that could lead to switching to competitors (Oliver, 1999).

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According to Griffin (2005), customer loyalty can be measured using the following indicators:

- Repeat Purchase: Consistent repeat purchases.
- Retention: Not easily switching to another bank.
- Referrals: Willingness to recommend customers to others.
- Resistance to Switch: Not easily influenced by competitors' promotions.

In banking, customer loyalty is crucial because banks that are able to retain loyal customers will reap long-term benefits, including funding stability, trust, and a positive public image.

Research Hypothesis. Based on the theoretical description and conceptual framework, the hypotheses proposed in this study are as follows:

- H1: Service quality has a positive and significant effect on customer loyalty at Bank BPD Bali.
- H2: Customer satisfaction has a positive and significant effect on customer loyalty at Bank BPD Bali.
- H3: Service quality and customer satisfaction simultaneously have a positive and significant effect on customer loyalty at Bank BPD Bali.

METHODS

This study used a quantitative approach with an explanatory research approach, aiming to explain the causal relationship between independent and dependent variables through hypothesis testing (Sugiyono, 2019). The study was conducted at Bank BPD Bali, with customers actively using the bank's services as the object of study. The population was all active customers of Bank BPD Bali, while the sample was determined using a purposive sampling technique, selecting respondents based on certain criteria: customers who had used the bank's services for at least one year and had used more than one banking product. The sample size was calculated using the Slovin formula with a 10% margin of error, resulting in a representative sample size corresponding to the study population.

The variables in this study consisted of service quality (X1), customer satisfaction (X2), and customer loyalty (Y). Service quality was measured using the five dimensions of SERVQUAL proposed by Parasuraman, Zeithaml, and Berry (1988): tangibles, reliability, responsiveness, assurance, and empathy. Customer satisfaction variables were measured using indicators proposed by Oliver (1997), namely, conformity to expectations, feelings of pleasure, service experience, tendency to reuse, and willingness to recommend. Meanwhile, customer loyalty was measured using indicators from Griffin (2005), namely, repeat purchase, retention, referrals, and resistance to switching. Each indicator was measured on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

Data collection was conducted by distributing questionnaires to eligible respondents and through documentation in the form of secondary data, such as bank profiles and the number of customers. Prior to use, the research instruments were tested for validity and reliability. Validity was assessed using Pearson Product-Moment correlation and reliability using Cronbach's Alpha coefficient, with a value >0.70 being considered reliable (Ghozali, 2018). Data analysis was performed using statistical software, including descriptive testing, classical assumption testing, and multiple linear regression analysis.

RESULT AND DISCUSSION

Descriptive Statistics. This study involved 150 respondents who were active Bank BPD Bali customers. Based on gender, 80 respondents were male (53.3%) and 70 female (46.7%). In terms of

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age, the majority of respondents were aged 26–35 (55) (36.7%), followed by 40 respondents aged 36–45 (26.7%), 35 respondents aged 18–25 (23.3%), and 20 respondents aged 45 and over (13.3%). In terms of length of service, the majority of respondents had used Bank BPD Bali services for more than 3 years (90); 45 respondents (30%) had used Bank BPD Bali for 1–3 years; and 15 respondents (10%) had used Bank BPD Bali for less than 1 year.

Description of Research Variables

Table 1. Descriptive Statistics of Variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Quality of Service	150	12,00	36,00	26,0867	4,98580
Customer Satisfaction	150	8,00	32,00	22,5667	4,51458
Customer Loyalty	150	12,00	28,00	21,2600	3,99569
Valid N (listwise)	150				

Based on the descriptive analysis results in the Descriptive Statistics Table, it is known that the number of respondents analyzed was 150 people (N = 150).

Service Quality. The service quality variable has a minimum value of 12.00 and a maximum value of 36.00, with a mean of 26.09 and a standard deviation of 4.99. This indicates that respondents' perceptions of Bank BPD Bali's service quality generally fall within the fair to good category, as the mean value is close to the maximum. The relatively small standard deviation indicates that respondents' responses tend to be homogeneous, not significantly spread from the mean.

Customer Satisfaction. The customer satisfaction variable has a minimum value of 8.00 and a maximum value of 32.00, with a mean of 22.57 and a standard deviation of 4.51. This mean value falls within the upper-middle range of the measurement scale, indicating that most customers are satisfied with Bank BPD Bali's services. The small standard deviation also indicates that customer satisfaction levels are relatively uniform among respondents.

The customer loyalty variable has a minimum value of 12.00 and a maximum of 28.00, with a mean of 21.26 and a standard deviation of 3.99. This average indicates that customer loyalty is in the fairly high category, meaning customers tend to reuse services and have a desire to continue using Bank BPD Bali. The low standard deviation indicates that differences in responses between respondents are not significant.

Classical Assumption Test; Normality Test

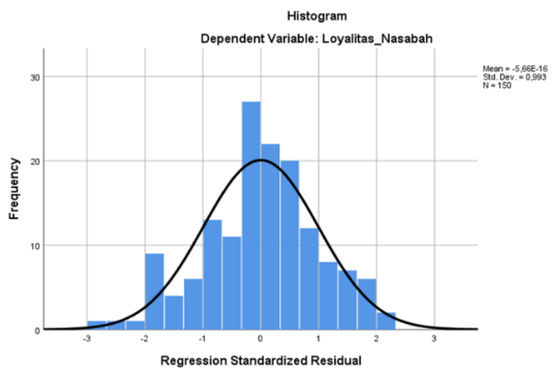

Figure 1. Normality Test

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The histogram above shows the distribution of standardized regression residuals for the dependent variable, Customer Loyalty. The histogram shows a distribution pattern resembling a normal curve (bell-shaped), with most of the data concentrated around the mean (0) and symmetrically distributed to the left and right.

The mean residual value is 5.66E-16, which is very close to 0, while the standard deviation of the residuals is 0.993, close to 1. This indicates that the residuals in the regression model are normally distributed. The sample size used was 150 respondents (N = 150), so the data distribution increasingly approaches a normal distribution based on the Central Limit Theorem.

Multicollinearity Test

Table 2. Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5,261	1,394		3,774	,000		
	Service Quality	,425	,057	,530	7,472	,000	,696	1,438
	Customer Satisfaction	,218	,063	,246	3,471	,001	,696	1,438

a. Dependent Variable: Customer Loyalty

Based on the analysis results, all independent variables had a Tolerance value > 0.10 and a VIF value < 10. Therefore, it can be concluded that there are no signs of multicollinearity between the independent variables (service quality and customer satisfaction) in the regression model.

This indicates that both independent variables can be used together in the regression analysis without causing multicollinearity problems.

Heteroscedasticity Test

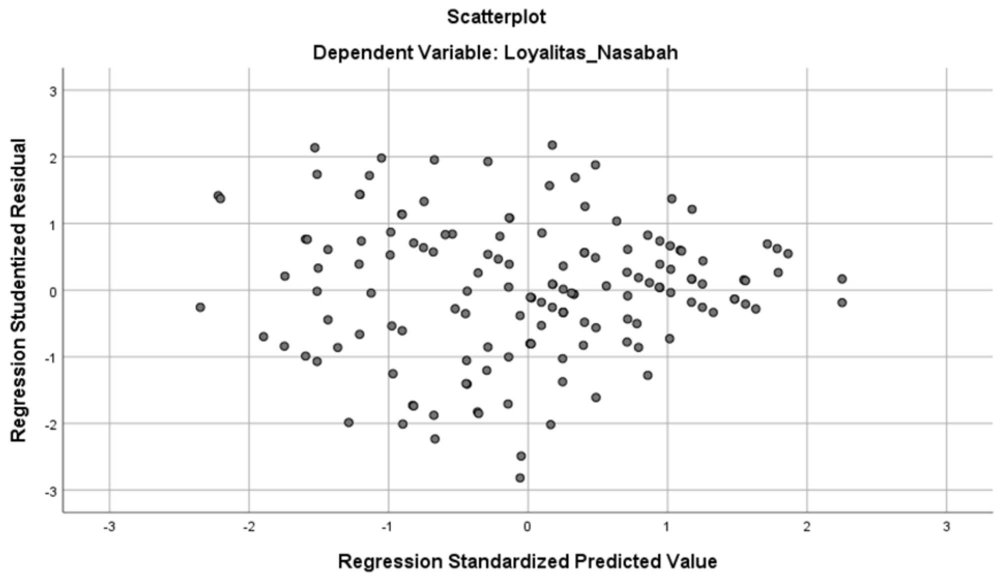

Figure 2. Heteroscedasticity Test

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The scatterplot above shows the distribution of points between the Regression Standardized Predicted Value (X-axis) and the Regression Studentized Residual (Y-axis). Observations indicate that the points are randomly distributed both above and below zero on the Y-axis, and do not form a clear pattern, either a funnel-shaped or a narrowing pattern. This indicates that there is no heteroscedasticity in the regression model. In other words, the residual variance of this regression model is constant (homoscedastic), making the regression model suitable for further analysis.

Autocorrelation Test

Table 3. Autocorrelation Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,697[a]	,486	,479	2,88523	1,966

a. Predictors: (Constant), Customer Satisfaction, Service Quality
b. Dependent Variable: Customer Loyalty

Based on the results of the autocorrelation test using the Durbin-Watson method, the DW value was 1.865. This value is in the range of 1.5 to 2.5, thus concluding that there is no autocorrelation in the regression model. Therefore, the regression model used in this study meets the classical assumption of being free from autocorrelation and is suitable for use in further hypothesis testing.

Hypothesis Testing: t-Test

Table 4. t-Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,261	1,394		3,774	,000
	Service Quality	,425	,057	,530	7,472	,000
	Customer Satisfaction	,218	,063	,246	3,471	,001

a. Dependent Variable: Customer Loyalty

Based on the results of the multiple linear regression test in the Coefficients table, the following results were obtained:

1. Service Quality has a significant effect on Customer Loyalty
   - The regression coefficient for the Service Quality variable (X1) is 0.425 with a calculated t-value of 7.472 and a Sig. of 0.000.
   - Since the Sig. value is <0.05, H1 is accepted.
   - This indicates that Service Quality has a positive and significant effect on Customer Loyalty. This means that the better the service quality provided, the higher the customer loyalty.
2. Customer Satisfaction has a significant effect on Customer Loyalty
   - The regression coefficient for the Customer Satisfaction variable (X2) is 0.218 with a calculated t-value of 3.471 and a Sig. of 0.001.
   - Since the Sig. value is <0.05, H2 is accepted.

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- This indicates that Customer Satisfaction has a positive and significant effect on Customer Loyalty. This means that the higher the customer satisfaction, the higher the customer loyalty.

F-Test

Table 5. F-Test

ANOVA[a]

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1155,155	2	577,577	69,383	,000[b]
	Residual	1223,705	147	8,325		
	Total	2378,860	149			

a. Dependent Variable: Customer Loyalty
b. Predictors: (Constant), Customer Satisfaction, Service Quality

Based on the results of the regression analysis in the ANOVA table, the calculated F value was 69.383 with a significance value (Sig.) of 0.000. Since the Sig. Value is <0.05; it can be concluded that the regression model used in this study is fit for use. This means that the independent variables, namely Service Quality (X1) and Customer Satisfaction (X2), simultaneously have a significant effect on the dependent variable, Customer Loyalty (Y). In other words, both independent variables together are able to explain the variation in the customer loyalty variable.

Service Quality → Customer Loyalty. Based on the results of the partial test (t-test), the Service Quality variable has a significance value of 0.000 (<0.05), and the calculated t-value is greater than the t-table. This indicates that Service Quality has a positive and significant effect on Customer Loyalty. This means that the better the quality of service provided by the bank, the higher the level of customer loyalty. This finding aligns with service marketing theory, which states that excellent service quality can sustainably increase customer satisfaction and loyalty.

Customer Satisfaction → Customer Loyalty. Partial test results indicate that the Customer Satisfaction variable also has a significance value of 0.000 (<0.05), with a calculated t-value greater than the t-table. Thus, Customer Satisfaction has a positive and significant effect on Customer Loyalty. This indicates that the higher the level of satisfaction customers feel with bank products and services, the greater their tendency to remain loyal, not switch to another bank, and even recommend the service to others.

Service Quality & Customer Satisfaction → Customer Loyalty. Simultaneous test results (F-test) show a calculated F-value of 69.383 with a significance value of 0.000 (<0.05). This means that the Service Quality and Customer Satisfaction variables together have a positive and significant effect on Customer Loyalty. In addition, the R Square value of 0.486 shows that the two independent variables are able to explain the variation in Customer Loyalty by 48.6%, while the remaining 51.4% is influenced by other factors outside this study (for example, price, trust, brand image, or promotion).

CONCLUSION

Based on the research results, it can be concluded that service quality and customer satisfaction, both partially and simultaneously, have a positive and significant effect on customer loyalty, where the better the quality of service provided and the higher the customer satisfaction, the greater the level of loyalty shown by customers towards the bank; therefore, it is recommended that bank management continuously improve service quality through fast, friendly, and professional service, and maintain customer satisfaction by providing products and services that

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suit their needs, because these two aspects have been proven to be able to strengthen loyalty and the sustainability of long-term relationships with customers.

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