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The Establishment of Customer Loyalty in View of Service Quality and Bank Reputation

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ABSTRAK – This study aims to analyze the effect of service quality and bank reputation on customer loyalty. This research was conducted using quantitative methods. Data collection was carried out through questionnaires which were distributed via google form to 120 customers of the Indonesian state bank (BNI). The collected data were analyzed using descriptive statistical techniques and multiple linear regression analysis. The results of this study indicate that the quality of bank services has a positive and significant impact on customer loyalty. Customers tend to be more loyal to banks that provide high-quality services, including ease of transaction, speed of service, good personal interaction, and effective response to customer complaints. In addition, the bank's reputation also has a positive and significant influence on customer loyalty. Customers are more likely to remain loyal to a bank with a good reputation, which includes integrity and public trust.

Keywords: service quality, bank reputation, customer loyalty, banking.

A. INTRODUCTION

The banking industry is one of the most important sectors in a country's economy (Gheeraert, 2014). The banking industry plays a role in raising and providing funds to individuals, businesses and governments. Banks play an important role in creating access to financial services for previously underserved communities, through digital banking services and simple products that are accessible to all levels of society (Oluwajodu et al., 2015).

Customer loyalty is a key factor in the long-term success of a financial institution, because loyal customers will not only continue to use bank services, but also tend to promote the bank to others (Bapat, 2017). Loyal customers tend to continue to use bank services on an ongoing basis. It creates stable income for financial institutions, helps in maintaining operational balance, and plans long-term growth (Han et al., 2008). Customer loyalty is not only about continuing to use services, but also about building mutually beneficial and sustainable relationships that can provide long-term benefits for financial institutions and their customers (Ball et al., 2004).

The factor that is considered to have an important role in shaping customer loyalty is service quality (Diallo et al. 2018). Service quality refers to how banks provide services to their customers, including the ease of transactions, responses to questions and complaints, as well as personal interactions between customers and bank employees (Nimako et al., 2013). Friendly and responsive interactions between customers and bank staff can form closer relationships (Boshof & Gray, 2004). This creates a sense of connection and trust that can encourage customers to stay in touch with the bank. Customers who are satisfied with the quality of service are more likely to use bank services repeatedly (Omoregie et al., 2019). They will choose a bank that provides a positive experience rather than looking for alternatives. Positive interaction experiences with customers can shape customer perceptions about the company. Good service quality creates positive relationships between companies and customers, which can influence their loyalty behavior (Bloemer et al., 1998).

Bank reputation reflects the image and perception that customers have of the bank and this factor has a direct impact on the customer's decision to continue using bank services and become a loyal customer (Aldas-Manzano et al. 2004). Bank reputation includes general perceptions of integrity, stable financial performance, and public trust in banks (Okpala, 2012). Customers tend to be more loyal to banks with good reputations. They tend to choose to continue using bank services that have proven to be reliable and of good quality (Abratt & Russell, 1999). A good bank reputation is often associated with high service quality, ability to meet customer needs, and responsiveness to problems and questions. Customers who are satisfied with their experience tend to be more likely to remain loyal to the bank (Tweneboah-Koduah & Farley, 2016).

Previous studies have shown that service quality and a bank's reputation can have a significant influence on a customer's decision to remain loyal to a bank. However, there is still a need to study further about how these factors interact and influence each other in the context of customer loyalty in today's dynamic banking environment. This study aims to dig deeper into the influence of service quality and bank reputation on customer loyalty. By analyzing these factors, it is hoped that this research can provide valuable insights for the banking industry in an effort to maintain and increase loyal customers.

B. METHOD

This research includes a quantitative approach. This research involved service quality and bank reputation variables on customer loyalty variables. The population of this research is 120 customers of the Indonesian State Bank (BNI) in the city of Surabaya. The sampling technique for this study was purposive sampling in which the sample characteristics had to be BNI bank users and domiciled in the city of Surabaya.

Service quality is the difference between customers' expectations of the expected service and their perception of the service they receive (Zeithaml et al., 1996). Service quality is the customer's perception of the ability and willingness of service providers to provide services that meet customer needs and expectations (Zavareh et al., 2012). Service quality indicators consist of concrete evidence, responsiveness, empathy, assurance, clarity, access, financial aspects, and competence (Pakurár et al., 2019).

Bank reputation is the result of perceptions of conformity between their expectations and their experiences in interactions with banks (Walsh et al., 2009). Bank reputation is the essence of banking identity as reflected in the perception of the bank's values, image and behavior as well as the resulting impact in the long term. The eight cognitive dimensions of a bank's reputation are offering quality, customer service, innovation, corporate branding, integrity, leadership, social action, reliability, and financial strength (El-Chaarani & El-Abiad, 2020).

Customer loyalty is a customer's tendency to make repeated transactions with a company with a strong commitment to keep choosing it even though there are other choices (Boonlertvanich, 2019). Customer loyalty includes how often customers transact with the company, as well as the possibility of customers to maintain their choices for a certain period of time (Ehigie, 2006). Indicators of customer loyalty consist of trust, satisfaction, value, and service quality (Harris & Goode, 2004).

Based on the description of the definition and research indicators, the next step is to analyze the data using multiple linear regression which is preceded by validity tests, reliability tests and classical assumptions.

C. RESULTS AND DISCUSSION

In this study, it has been determined that each statement on an item will be considered valid if the adjusted total item correlation value exceeds the threshold of 0.3. The results of the analysis show that for the service quality excellence variable (X1), bank reputation variable (X2), and customer loyalty (Y), all correlation values in each statement each exceed the limit value of 0.3. Thus, no statement is excluded from the analysis. Therefore, it can be concluded that every statement related to the variables of service quality (X1), bank reputation (X2), and customer loyalty (Y) is considered valid.

Furthermore, a reliability evaluation is carried out to assess the extent to which the measurement instrument is consistent or reliable. Instrument reliability is considered adequate if it is able to produce stable and consistent data when used repeatedly to measure the same object. Within this framework, the reliability test is carried out by comparing the value of the alpha coefficient against a threshold of 0.6. If the alpha coefficient value exceeds 0.6, then the questionnaire is considered to have adequate reliability. The results of the reliability test for the service quality variable (X1) show that the alpha coefficient value reaches 0.819. As for the bank's reputation variable (X2), the alpha coefficient has a number of 0.876. On the other hand, in this study, the customer loyalty variable (Y) shows an alpha coefficient value of 0.815. For this reason, the measuring instrument used in this study can be considered reliable in measuring the variables in this study.

If the significance value (sig.) t <0.05, it can be concluded that the variables of service quality and service satisfaction have a partially significant impact on customer loyalty. This means that both the service quality variable (X1) and the bank's reputation (X2) each have a significant contribution to the customer loyalty variable (Y).

The finding that service quality has significance on customer loyalty. These results are consistent with previous research conducted by Kura et al. (2015); Makanyeza and Chikazhe (2017). Previous studies that support this same result add validity and credibility to the findings in this study. Customers who feel they get added value from bank services, such as easier services, tend to be more committed to the bank. Good service quality can trigger a positive emotional response from customers. This positive feeling can form an emotional bond with the bank which can influence their decision to choose and use bank services. Through superior service quality, companies can create positive experiences that build trust and meet customer expectations which are the main factors in maintaining customer loyalty (Chaudhuri & Holbrook, 2001). For companies to implement strategies that focus on improving service quality. This step could involve investing in employee training, better use of technology, and improving operational processes to ensure a satisfying customer experience. By doing so, companies can look forward to strengthening customer loyalty, increasing customer retention, and supporting long-term business growth.

Bank reputation has also been shown to play a significant role in shaping customer loyalty. These results are in line with previous research by Bontis et al. (2007); (Aramburu & Pescador, 2019); Ozkan et al. (2020). Banks with a good reputation, including stable financial performance, integrity and a high level of trust, tend to have more loyal customers (Auka, 2012). Customers feel more comfortable using a bank that is considered to have strong resistance to market changes or difficult economic situations. A good bank reputation can help build long-term relationships with customers. Customers feel comfortable and have strong reasons to remain loyal to a bank that has proven itself as a reliable institution (Gul, 2014). The importance of reputation management as an integral part of the bank's business strategy. Bank reputation management should be directed to build, maintain and strengthen the positive perceptions of customers and stakeholders towards the bank. Banks need to focus on developing strategies that prioritize service quality to customers. This involves employee training, the use of technology that enhances the customer experience, and constant monitoring of customer feedback.

D. CONCLUSION

The results of the study show that the quality of bank services has a significant impact on customer loyalty. Customers tend to be more loyal to banks that are able to provide good, efficient and responsive services. Ease of transaction, quick response to questions or problems, as well as positive personal interactions have an important influence in shaping customer perceptions of service quality. Further results also indicate that bank reputation has a significant effect on customer loyalty. A good reputation creates a sense of security and trust in customers, which in turn encourages them to continue using the bank's services. Based on the findings and conclusions resulting from this research, the following are some suggestions that can be taken for banks and financial institutions in an effort to influence and increase customer loyalty, namely that banks must prioritize improving the quality of service to customers. This includes employee training in interpersonal skills, technology that facilitates easy transactions, and responsive systems to address customer complaints and inquiries quickly. In addition, banks need to build and maintain a good reputation by maintaining integrity, transparency and stable financial performance. Implementing responsible business practices will help strengthen customer trust which will increase customer loyalty.

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