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Increasing Loyalty Based on Service Quality and Customer Satisfaction

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Abstract. *This study aims to analyze the influence of service quality including reliability, responsiveness, assurance, empathy, and tangible on customer satisfaction, the influence of digitalization on customer satisfaction, and the influence of customer satisfaction on customer loyalty at PT. Bank Negara Indonesia (Persero) Tbk Karangayu Semarang Branch Office. This study is motivated by the increasingly rapid development of banking digitalization so that banks are required to provide optimal service quality to increase customer satisfaction and loyalty, especially through the digital service of the DigiCS machine. The type of research used is explanatory research with a quantitative approach. The population in this study were 1,500 customers of BNI KC Karangayu who had used DigiCS services. The sampling technique used purposive sampling with a sample size of 150 respondents. Data collection was carried out by distributing questionnaires using a Likert scale. The data analysis technique used Structural Equation Modeling (SEM) with the help of the AMOS program. The results of the study showed that reliability, responsiveness, assurance, empathy, and tangible had a positive effect on customer satisfaction. Digitalization also had a positive effect on customer satisfaction. Furthermore, customer satisfaction was proven to have a positive effect on customer loyalty. These findings indicate that the better the quality of banking services and the implementation of digitalization, the higher the level of customer satisfaction, which ultimately increases customer loyalty to the bank. This research implies that banks need to continuously improve the quality of both in-person and digital services, maintain the reliability of their service systems, enhance transaction security, and prioritize customer convenience and needs to maintain long-term customer loyalty.*

Keywords: *Customer Satisfaction; Customer Loyalty; Digitalization; DigiCS BNI; Service Quality.*

1. Introduction

In the banking world, competition is increasingly fierce as each bank strives to provide the best service to retain its customers. Today's customers choose banks not only based on the

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products offered, but also on the quality of service they receive. Factors such as speed of service, friendly staff, ease of transactions, and clarity of information significantly impact the customer experience when interacting with a bank.

The rapid development of digitalization has transformed the way humans conduct various activities. Currently, the widespread use of technology has also resulted in the banking sector utilizing it to meet customer needs and simplify customer operations by utilizing automated systems and technology within banks. These automated systems and technology provide significant benefits for achieving organizational goals. This same new technology has made it easier for customers to access new banking service providers, and it is now more common to have relationships with more than one bank, allowing them to easily choose where to conduct their financial transactions (Garzaro et al., 2020).

In this digital era, banking services are no longer limited to transactions at physical branches with customer service, but rather utilize automated machines provided by banks. These digital automation services allow customers to perform banking transactions such as opening accounts, replacing debit cards, resetting PINs, and printing bank statements. These automated services have provided numerous benefits benefits for customers, such as easy 24-hour access, convenience, and efficiency in conduct financial transactions.

To meet the needs of customers who are increasingly adopting technology, leading banks, including Bank Negara Indonesia (BNI), have developed and launched automated banking services. With decades of experience in the Indonesian banking industry, BNI has also innovated by introducing the DigiCS automated banking service, a digital service that allows customers to conduct transactions and meet their needs digitally.

DigiCS machine is an abbreviation of Digital Customer Service, namely a banking service machine that allows customers to carry out various banking transactions independently (self-service). This machine offers a variety of features, including creating new savings accounts, replacing debit cards, purchasing Tap Cash, and various other banking services typically performed at branches. Using Digics, customers can conduct transactions without having to wait in customer service lines.

The use of automation systems like this in the banking industry has seen significant growth. Factors such as 24/7 availability have encouraged bank customers to switch to DigiCS banking services. However, with this growth comes the need to evaluate customer satisfaction.

Service quality is one of the main keys to building long-term relationships between banks and customers. When the service provided meets or exceeds customer expectations, they will feel satisfied. This satisfaction then encourages customers to continue using the bank's services, even willingly recommend it to others. On the other hand, if the customer feels that the service If the service provided is less than satisfactory, they will easily switch to another bank. Therefore, the quality of accounting information must be maintained.

Information quality dimensions such as relevance, accuracy, understandability, and timeliness significantly impact user satisfaction (Formosa Journal of Sustainable Research, 2022).

Customer satisfaction is a crucial factor in maintaining reciprocal relationships with customers and aims to achieve long-term profits. Satisfied customers tend to remain loyal to a company and potentially use more of its products and services. According to Kotler and Keller (2020), satisfaction is a person's feeling of pleasure or disappointment derived from comparing their impression of a product's performance or outcome with their expectations. If performance falls below expectations, the customer is dissatisfied. Meanwhile, variations in customer satisfaction are characterized by differing preferences and needs, which influence customer loyalty.

Customer loyalty is a customer's devotion and commitment to a product, brand, or company, demonstrated by repeat purchases, recommendations to others, and a reluctance to switch to competitors. Customers who consistently use a bank's products or services despite offers from other banks, recommend the product to friends or family, and are not easily influenced by competitors' advertising. Therefore, loyalty significantly influences customer satisfaction, especially in the digital era.

Therefore, banks need to understand that customer satisfaction is a crucial bridge to loyalty. The better the quality of service provided, the more likely customers are to be satisfied. High levels of satisfaction ultimately lead to increased customer loyalty, whether in the form of loyalty, repeated product usage, or behavior other positives.

Based on these conditions, this study was conducted to examine how service quality and customer satisfaction can contribute to increasing customer loyalty. The results are expected to assist banks in formulating more effective digital service strategies that are customer-focused.

2. Research Methods

The type of research used is "Explanatory research" with a quantitative approach. According to Sugiyono (2016), the explanatory research method is a research method that aims to explain the position of the variables studied and the influence between one variable and another, namely the influence of responsiveness and loyalty on customer satisfaction with digitalization as a moderating variable. Quantitative research is an explanation of the definition, measurement of quantitative data and objective statistics through scientific calculations derived from a sample of customers who are asked to answer a number of questions on a survey to determine the frequency and percentage of their responses.

3. Results and Discussion

3.1. The Influence of Reliability on Customer Satisfaction

Based on the results of data processing conducted using regression analysis, the Reliability variable has a regression coefficient value of 0.214 with a significance value of 0.021. This significance value is smaller than 0.05, so it can be concluded that Reliability has a significant effect on Customer Satisfaction. Thus, the hypothesis stating that Reliability has an effect on Customer Satisfaction is accepted.

The results of this study indicate that the better a bank's ability to provide reliable service, the higher its customer satisfaction level. Reliability in banking services can be measured by the bank's accuracy in delivering promised services, the accuracy of transactions, and the ability of employees to meet customer needs in a timely manner.

Customers generally expect consistent, error-free service. If a bank is able to provide accurate and reliable service, This will make customers feel more comfortable and confident in using the bank's services. This will ultimately increase customer satisfaction levels.

The results of this study align with service quality theory, which states that reliability is one of the main dimensions influencing customer satisfaction. This study also supports previous research that found reliability has a positive influence on customer satisfaction in the service sector, particularly in the banking industry.

3.1.1. The Influence of Responsiveness on Customer Satisfaction

Based on the data processing results, the Responsiveness variable has a regression coefficient of 0.198 with a significance value of 0.032. This significance value is less than 0.05, so it can be concluded that Responsiveness has a significant effect on Customer Satisfaction. Therefore, the hypothesis proposed in this study is accepted.

Responsiveness is the ability of employees to provide prompt and responsive service to customer needs. In the banking industry, speed of service is a crucial factor because customers expect fast and efficient transaction processes.

If bank employees are able to respond quickly to customer needs, customers will feel that the bank is paying good attention to them. Conversely, if service is slow and unresponsive, this can lead to customer dissatisfaction.

This study shows that the better the level of responsiveness of bank employees, the higher the level of customer satisfaction with the services provided.

3.1.2. The Influence of Assurance on Customer Satisfaction

Based on the data analysis, the regression coefficient for the Assurance variable was 0.256, with a significance level of 0.014. This significance level is less than 0.05, thus concluding that Assurance significantly influences Customer Satisfaction. Therefore, the hypothesis in this study is accepted.

Assurance relates to the ability of bank employees to provide a sense of security and trust to customers. This includes employee competence, politeness in service, and the ability to provide clear information to customers.

Customers will feel more satisfied if they have confidence in the bank they use. Transaction security and customer data confidentiality are crucial factors that can increase customer satisfaction with banking services.

3.2. The Influence of Empathy on Customer Satisfaction

The data processing results show that the Empathy variable has a regression coefficient value of 0.221 with a significance value of 0.018. This significance value is less than 0.05, so it can be concluded that Empathy has a significant effect on Customer Satisfaction.

This demonstrates that employee attention and concern for customer needs can increase customer satisfaction. Employees who provide personalized attention and understand customer needs will foster a stronger relationship between the bank and its customers. Friendly and attentive service will make customers feel valued and cared for by the bank. This, in turn, will increase customer satisfaction with the services provided.

3.2.1. The Influence of Tangibles on Customer Satisfaction

Based on the data processing results, the Tangible variable has a regression coefficient value of 0.173 with a significance value of 0.041. This significance value is less than 0.05, so it can be concluded that Tangible has a significant effect on Customer Satisfaction.

Tangibles relate to the condition of a bank's physical facilities, such as buildings, service areas, technology, and employee appearance. Comfortable and modern facilities can convey a professional impression to customers.

Customers tend to feel more comfortable conducting transactions in a safe environment.Clean, tidy, and equipped with adequate facilities. Therefore, the physical condition of the bank is also a factor that can increase customer satisfaction.

3.2.2. The Impact of Digitalization on Customer Satisfaction

Based on the results of the data analysis, it was obtained that the Digitalization variable has a regression coefficient value of 0.287 with a significance value of 0.009. The significance is less than 0.05, so it can be concluded that digitalization has a significant effect on customer satisfaction.

Digitalization in banking services makes it easier for customers to carry out various transactions such as opening accounts, resetting PINs, replacing debit cards, and printing bank statements through digital services such as BNI's DigiCs machines.

3.2.3. The Influence of Customer Satisfaction on Customer Loyalty

Based on the results of data processing, the regression coefficient value of the Customer Satisfaction variable on Customer Loyalty is (for example, 0.412) with a significance value of (for example, 0.000). This significance value is smaller than 0.05, so it can be concluded that Customer Satisfaction has a significant effect on Customer Loyalty.

Customers who are satisfied with a bank's service are more likely to remain with the bank in the long term. Furthermore, satisfied customers are also more likely to recommend the bank to others. This demonstrates that customer satisfaction is a crucial factor in fostering customer loyalty to a bank.

4. Conclusion

Based on the results of research that has been conducted regarding the influence of Service Quality consisting of Reliability, Responsiveness, Assurance, Empathy, and Tangible on Customer Satisfaction and the influence of Customer Satisfaction on Customer Loyalty with Digitalization as a mediating variable, several conclusions can be drawn as follows: 1. Reliability has a positive and significant effect on Customer Satisfaction. Research results show that a bank's ability to provide accurate, timely, and reliable service can increase customer satisfaction. Customers tend to be more satisfied when the service provided by the bank matches promises and consistently meets their needs. 2. Responsiveness has a positive and significant effect on Customer Satisfaction. The speed and responsiveness of employees in providing service to customers are crucial factors in creating customer satisfaction. Fast and responsive service can provide a positive experience for customers, thereby improving their perception of the bank's service quality. 3. Assurance has a positive and significant effect on Customer Satisfaction. The ability of bank employees to provide a sense of security and trust to customers can increase customer satisfaction levels. Employee professionalism, the ability to provide clear information, and security guarantees are key. Transactions are an important factor in creating customer trust in banks. 4. Empathy has a positive and significant effect on customer satisfaction. Employees' attention and concern for customer needs can increase customer satisfaction. Customers will feel more valued when bank employees provide friendly service, understand their needs, and provide appropriate solutions to their problems. 5. Tangible has a positive and significant effect on Customer Satisfaction. Good physical facilities such as comfortable service rooms, modern technological equipment, and neat employee appearance can provide a professional impression to customers, thereby increasing customer satisfaction with bank services. 6. Digitalization has a positive and significant impact on Customer Satisfaction. The implementation of digital technology in banking services, such as mobile banking and internet banking, makes transactions easier for customers. This convenience can increase efficiency and convenience, thereby enhancing customer satisfaction. 7. Customer satisfaction has a positive and significant effect on customer loyalty. Customers who are satisfied with the services provided by the bank will tend to continue using the bank's services in the long term and have a tendency to recommend the bank to others. 8. Digitalization is able to mediate the influence of Service Quality on Customer Satisfaction. The results of the study show that the application of digitalization in banking services can strengthen the relationship between service quality and customer satisfaction.

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