CUSTOMER SATISFACTION AS A MEDIATION TO CUSTOMER LOYALTY ON THE BANK

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Abstract

Customer loyalty is related to the use of bank transactions in a long period of at least one year. This research aims: 1. To analyze customer convenience that directly affects customer loyalty 2. To analyze customer convenience influence on customer loyalty mediated by customer satisfaction. Subjects in this research are customers of the Banco Nacional Comercio de Timor Leste (BNCTL) in Timor Leste. The sample of this research is 85 respondents analyzed by using Structural Equation Model (SEM) with PLS Program. The results of this research successfully prove that: 1. The customer convenience directly affects customer loyalty, 2. Customer convenience influence customer loyalty was mediated by customer satisfaction. The findings of this study may contribute to consumer behavior models, at banks, and Triple duties of Higher Education.

Introductions

Banks play a very important role in the country's financial system (Abror et al., 2019). This sector in its contribution in the financial business has the largest market share (Darsono et al., 2017). Banks are responsible for maintaining the country's economy so that it always runs smoothly. This is because the banking function is an institution that provides facilities to the community to conduct financial transactions. In addition, this institution also functions to exchange money, move money or accept all types of payments and deposits. According to Cruz (2014) a bank is an institution that becomes the main need for the community in every transaction. The development of the banking industry market environment is growing drastically, as well as the increasing development of information technology and government regulations. This has become a major challenge for the banking sector to improve strategy and profitability in the future.

Banco Nacional de Comercio de Timor Leste (BNCTL) is a financial institution that collects funds from the public in the form of savings and distributes in the form of credit to people who need funds (Cruz, 2014). Banco Nacional de Timor Leste (BNCTL) is a National Bank that operated in Timor Leste on 13 May 2002 and is the only bank of the government (Almeida et al., 2019). In addition to providing credit services to the community, BNCTL contributes to improving the standard of living of people through small and medium-sized businesses and providing products that meet their needs to improve the economy of the people of Timor Leste. Based on the results of interviews with BNCTL customers in July
2018 related to loyalty, the results of interviews show that customers often conduct transactions in banks regularly during certain periods. In one month, customers have made transactions once, twice, and even more. BNCTL customers often speak word of mouth to other customers about the positive and negative things of this bank. In fact customers do not always deal regularly with the bank they choose, there are also those who often talk negatively with other customers, in this case the bank must understand the behavior of its customers. Thus the bank needs to create an effective strategy so that it can meet customer needs.

Bruneau et al. (2018) said in his research that in bank institutions it is very important to increase customer loyalty. Liang, Wang and Dawes Farquhar (2009) in their research showed that loyalty is a factor in determining the customer's repeated purchase intentions. This indicates customer loyalty can be one of the strategies of bank institutions in increasing profitability. (Murali et al., 2016) defines loyalty is the benefit provided by the company to customers so that it can maintain or increase purchases.

According to (Wong et al., 2019) customer loyalty can be increased by increasing overall customer satisfaction by providing reliable services that affect company profitability. Therefore satisfaction is a determinant of loyalty that needs to be considered by bank institutions to be developed so as to increase the profitability of bank institutions. In addition, previous studies have discussed the relationship of customer service satisfaction with customer loyalty to products and organizations (T. Rust & Chung, 2006; Zeithaml et al., 1996). Previous research stated that high customer satisfaction will lead to customer loyalty (Lai et al., 2009). Thus customer satisfaction can affect customer loyalty in bank institutions.

In achieving customer satisfaction, especially in the banking sector, it needs to consider various factors, one of which is convenience. This factor is considered important to examine how its role in determining customer satisfaction and loyalty in the banking sector. Convenience includes several characteristics such as location, time, distance, parking space and ATM availability (Keisidou et al., 2013). Research on convenience shows different results from several previous studies. (Wu, 2011) found that convenience location has a positive effect on satisfaction and other studies found that convenience has an influence on satisfaction (Srivastava & Kaul, 2014). However, Keisidou et al. (2013) found that convenience does not have a direct effect on satisfaction, but there is an indirect effect on loyalty through satisfaction. This results in the need for re-research in different contexts in order to obtain broader results between the relationship of convenience to loyalty through satisfaction.

From some of the reviews above, this study aims to examine the effect of convenience on customer loyalty through customer satisfaction Banco Nacional de Comercio de Timor Leste (BNCTL). This research is expected to contribute to the research literature in developing consumer behavior models related to convenience and customer satisfaction to customer loyalty. As well as contributing to the management to be able to make marketing strategy policies to increase bank customer loyalty.

**Literature Review and Hypothesis**

**Customer loyalty**

Customer loyalty is a factor that has the potential to improve organizational sustainability by strengthening relationships and retaining customers (Kim et al., 2020). Customer loyalty can be identified from two elements, namely the customer's willingness to repurchase and provide recommendations to customers or other parties (Hayati et al., 2020). Loyalty is a benefit provided by the company to customers so that it can maintain or increase purchases (Murali et al., 2016). Loyal customers will make purchases of products and services repeatedly, and will recommend to people or other parties. Loyal customers will also defend the company against bad comments (Akchter et al., 2017). Thus customer loyalty becomes a very important factor in company sustainability.
Customer Convenience
Customer convenience is a specific attribute needed to make an activity easier (Srivastava & Kaul, 2014). Customer convenience is one of the antecedents that can affect the level of customer satisfaction in transactions. (Berry et al., 2002) revealed that service convenience is an individual's perception of time and energy in the process of purchasing or using goods or services. Convenience includes several characteristics such as location, time, distance, parking space and ATM availability (Keisidou et al., 2013). Research on convenience shows different results from several previous studies. (Keisidou et al., 2013) found that convenience does not have a direct effect on satisfaction, but there is an indirect effect on loyalty through satisfaction. (Wu, 2011) found that convenience location has a positive effect on satisfaction. Consumers tend to prefer service processes that can save time and energy expended to obtain the desired goods and services (T. Rust & Chung, 2006). Other research (Eakuru & Mat, 2008; Srivastava & Kaul, 2014) found that comfort has an influence on satisfaction. Other researchers have also found a positive effect of convenience on loyalty (Cengiz Ekrem (2007). From a review of the theory and several previous studies, we propose the following hypothesis:

H1: Customer convenience that directly has a positive and significant effect on bank customer loyalty

H2: Customer convenience that directly has a positive and significant effect on bank customer satisfaction

Customer satisfaction
Satisfaction is defined as an overall evaluation of meeting needs, from unsatisfactory to satisfying (Hayati et al., 2020). Customer satisfaction is an evaluation of the customer's after purchase which can be judged to give the same results or exceed customer expectations, otherwise dissatisfaction arises if the results do not meet customer expectations. According to (Tjiptono, 2014) customer satisfaction is a person's feelings after comparing the perceived performance (or results) and expectations. Satisfaction in the banking sector, (Ladhari et al., 2011) states if customer satisfaction is a total evaluation of the overall level of service provided. In general, if a product or service fails to deliver expectations (performance is below expectation), the customer will evaluate the reason for the failure. If the failure is due to a lack of performance provided by the company regarding the product or service provided, then dissatisfaction is likely to occur. Conversely, if caused by accidental factors or their own behavior, then there is little chance of dissatisfaction. The relationship between satisfaction and loyalty has been studied in various contexts and has a positive influence (Anwar et al., 2019; Hayati et al., 2020). Thus we conclude if customer satisfaction is a potential factor in causing customer loyalty in the banking context, then the hypothesis we propose is as follows:

H3: Customer satisfaction that directly has a positive and significant effect on bank customer loyalty
Method

The population in this study were all customers at BNCTL in Timor Leste. Samples are several customers at BNCTL. According to (Ghozali, 2016) the recommended sample size is between 30-100 and does not have to be significant. Thus, the number of samples in this study were taken as many as 85 respondents. This sampling technique is a purposive sampling technique. The type of scale used in this study is the Likert scale. Likert scale used in the form of a choice number 1 (strongly disagree) to 5 (Strongly Agree) answer the question (Likert, 1934). Hypothesis testing is done by using the Structural Equation Modeling model with the PLS (Partial Least Square) technique to test the effect of each variable. This study uses three variables, namely, customer convenience, customer satisfaction and customer loyalty. The measurement items of each variable were adapted from previous studies (Table 1). Three items to measure customer convenience were adapted from previous studies (Cengiz et al., 2007; Keisidou et al., 2013). Three items adapted from previous studies (Cengiz et al., 2007; Eakuru & Mat, 2008; Keisidou et al., 2013) were used to measure customer satisfaction. Then, three items to measure customer loyalty were adapted from research (Cengiz et al., 2007; Keisidou et al., 2013; Milan et al., 2018; Namahoot & Laohavichien, 2018; Zhu & Chen, 2012).

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Definisi Operasional</th>
<th>Indicator</th>
<th>Source</th>
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</thead>
</table>
| 1  | Customer loyalty | Benefits provided by companies to customers so that they can maintain or increase purchases (Murali et al., 2016) | 1. Recommend a bank.  
2. make recurring transactions every certain period and not switch to another bank.  
3. Commitment to choosing a bank | (Cengiz et al., 2007; Keisidou et al., 2013; Milan et al., 2018; Namahoot & Laohavichien, 2018; Zhu & Chen, 2012) |
| 2  | Customer convenience | Specific attributes needed to make an activity easier (Srivastava & Kaul, 2014) | 1. ease of transaction  
2. ease of bank information  
3. ease of parking | (Cengiz et al., 2007; Keisidou et al., 2013) |
| 3  | Customer satisfaction (Z) | Customer satisfaction is a total evaluation of the overall level of service provided (Ladharri et al., 2011) | 1. Overall Satisfaction  
2. Confirmation of Hope  
3. Compared Performance | (Cengiz et al., 2007; Eakuru & Mat, 2008; Keisidou et al., 2013) |

Result

Convergent validity test results (Figure 1) are assessed with indicator variables that have an outer loading equal to or greater than 0.7 (Chin, 1998). The latent variables of customer satisfaction have values above 0.7. In customer satisfaction shows that all indicators that describe product quality have a value above 0.7, which means all indicators are valid. Then, on customer loyalty all indicators also have reached above 0.7 which indicates valid, we compare the square root of AVE with the interrelation between constructs. With the exception of one, the square root of AVE of all constructs is greater than the inter-construct correlation (see Table 3), providing evidence of discriminant validity (Chin, 1998; Fornell & Larcker, 1981). The reliability test used in this study uses average variance (AVE), composite reliability (CR), and Cronbach's Alpha (Chin, 1998; Fornell & Larcker, 1981; Hair et al., 2016). The results show if the value of CR and Cronbach's Alpha is greater than 0.7 and the value of AVE on each variable shows a value of more than 0.5. The analysis results in table 2 show that they are reliable.
Table 2. Values of AVE, Composite Reliability, Cronbach’s Alpha

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>AVE</th>
<th>CR</th>
<th>Cronbach’s Alpha</th>
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</thead>
<tbody>
<tr>
<td>Customer Convenience</td>
<td>0.681</td>
<td>0.812</td>
<td>0.729</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.673</td>
<td>0.826</td>
<td>0.786</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>0.721</td>
<td>0.882</td>
<td>0.829</td>
</tr>
</tbody>
</table>

Table 3. Evaluation of Fornell-Lacker Criterion Discriminant Validity

<table>
<thead>
<tr>
<th></th>
<th>Convenience</th>
<th>Satisfaction</th>
<th>Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience</td>
<td>0.682</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.724</td>
<td>0.839</td>
<td></td>
</tr>
<tr>
<td>Loyalty</td>
<td>0.651</td>
<td>0.719</td>
<td>0.863</td>
</tr>
</tbody>
</table>

Determination Coefficient (R square)

Customer Satisfaction  (R²) = 0.783
Customer loyalty \((R^2) = 0.962\)

\[
Q^2 = 1 \cdot (1 - R^2) (1 - R^2) \\
= 1 - (1 - 0.783) (1 - 0.962) \\
= 1 - (0.217) (0.038) \\
= 0.9917 \text{ or } 99.17\%
\]

\(Q^2 = 99.17\%\) which means customer comfort and customer satisfaction contributes 99.17% to customer loyalty in the bank. The remaining 0.83% is influenced by other variables.

**Discuss**

Test the influence of customer antecedent variables. There are three tests as follows:

**Hypothesis Test 1;** Based on Figure 4.1 it can be seen that the direct effect of customer comfort on customer loyalty on the path coefficient = 0.603 (P-value = 0.000). It is said that customer comfort has a positive effect on customer loyalty (proven H1 / H1 accepted). In other words, taking into account customer convenience related to transaction ease, ease of bank information and parking for customer loyalty. The results of this study reinforce previous research (Cengiz et al., 2007; Keisidou et al., 2013) which proves that convenience has an influence on customer loyalty.

**Hypothesis Test 2;** Based on Figure 4.1 it can be seen that the direct effect of customer comfort on customer satisfaction on the path coefficient = 0.885 (P-value = 0.000). It is said that customer comfort has a positive effect on customer satisfaction (proven H2 / H2 accepted). In other words, taking into account customer convenience related to transaction ease, ease of bank information and parking for customer satisfaction. The results of this study reinforce previous research (Cengiz et al., 2007; Eakuru & Mat, 2008; Srivastava & Kaul, 2014; Wu, 2011) which proves that convenience has an influence on customer satisfaction.

**Hypothesis Test 3;** Based on Figure 4.1 it can be seen that the direct effect of customer satisfaction on customer loyalty on the path coefficient = 0.406 (P-value = 0.000). It is said that customer satisfaction has a positive effect on customer loyalty (proven H3 / H3 accepted). Customer satisfaction is related to overall Expectation Satisfaction, disconfirmation, comparing Performance with customer loyalty. Thus the results of this study are in line with previous research which states if satisfaction has a positive effect on loyalty (Anwar et al., 2019; Hayati et al., 2020).

**Customer satisfaction as mediation of customer loyalty**

The effect of customer convenience on customer loyalty is mediated by customer satisfaction. After looking at the numbers, an analysis can be determined to mediate customer convenience for customer loyalty. customer convenience affects customer loyalty (P-Value = 0.00 <0.05). customer satisfaction related to overall Expectations of Satisfaction, disconfirmation, compared to Performance with customer loyalty in the bank (H3 is not proven / H3 is accepted). We see all the paths in the significant model so it must be clearer to see whether customer satisfaction is mediated.

**Managerial Implications**

Regarding comfort factors at BNCTL bank institutions can have a positive influence on customer satisfaction and loyalty. Based on the results of this study convenience is an important factor for BNCTL banks in increasing customer satisfaction and loyalty. Efforts must be made by banks, namely to provide ease of transactions, this can be done to help customers who do not understand using transactions such as transactions using ATMs. BNCTL bank institutions need to update their transaction systems so that they can be easily
used by their customers, so as to minimize customer problems and complaints. Bank institutions also need to make it easier for customers to access bank related information. This can be done by posting relevant bank information on the internet. Thus customers can easily get the information they want related to the BNCTL bank. In addition to providing convenience to customers, bank institutions also need to pay attention to their facilities such as parking area security. In this case, BNCTL bank institutions can employ security staff and install CCTV so that customers feel comfortable with bank security. Then, if the bank implements these things, customer satisfaction can be achieved so that this can mean that satisfied customers will speak positively to other customers or other parties, be loyal to repeat transactions, and commit to choosing BNCTL.

**Conclusion**

This study aims to examine the effect of convenience on customer loyalty through customer satisfaction Banco Nacional de Comercio de Timor Leste (BNCTL). The results showed that customer convenience has a positive effect on customer satisfaction and loyalty. The customer satisfaction variable was also found to mediate the effect of customer convenience on loyalty. The theoretical benefit of this research is that it can develop theories of consumer behavior in the convenience of customers in the bank by creating customer comfort, customer satisfaction with customer loyalty. The practical benefit of this research is that companies can devise strategies related to customer loyalty.

This study uses convenience factors in examining its relationship to satisfaction and loyalty. Future studies can add other factors that can influence customer satisfaction and loyalty in the banking sector. Measurement items in this study need to be developed to obtain broader results, so that future research can add several measurement items to examine the factors of convenience, satisfaction and customer loyalty.

**References**


