EFFECT OF CUSTOMER VALUE AND SATISFACTION ON CUSTOMER LOYALTY: EVIDENCE ON INDONESIAN ISLAMIC BANK

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ABSTRACT

Given the importance of perceived value and high satisfaction for companies in creating loyalty to achieve their goals and to empirically prove testing, the researchers formulated the problem in research specifically: (1) Does perceived value have an influence on customer loyalty, (2) Does satisfaction affect customer loyalty?. This study uses a Structural Equation Modeling (SEM) approach which is carried out through AMOS software. This research was conducted by utilizing community surveys with online questionnaire. The Sample of this research is 150 respondents, majority of respondents came from the provinces of Central Java and the Special Region of Yogyakarta. Based on the results of the analysis show: customer value has a positive effect on customer satisfaction (CR = 2.492, P = 0.019, H1 supported), customer value has a positive effect on customer loyalty (CR = 2.53, P = 0.026, H2 supported), customer satisfaction has a positive effect on customer loyalty (C.R. = 3.521, P = 0.000, H3 supported). Satisfaction are in a position to create a positive response to the creation of services for consumers, furthermore perceived value plays an important role in representing various client needs and company satisfaction, in the right preferences.

Keyword: Satisfaction, Value, Loyalty, Islamic Bank

INTRODUCTION

The three main functions of the banking sector are the function of raising funds (funding), the function of channeling funds (lending), and services. The Financial Services Authority pays attention to the impact of the Covid-19 pandemic, which has relatively begun to put pressure on the financial services sector, although from various indicators and risk profiles, the condition of financial system stability has been maintained to date with positive intermediation performance (Ul Haq & Awan, 2020). On the other hand, responding to new normal or new normal conditions, which have begun to take effect in various countries, OJK sees an opportunity for the real sector in the country to be supported by the availability of sufficient liquidity and capital aspects in the banking sector.

The risk profile of financial service institutions in April 2020 was maintained at a controlled level with a gross NPL ratio of 2.89 percent (net NPL of Conventional Commercial Banks (BUK): 1.09 percent) and NPF ratio of 3.25 percent. The risk of banking exchange rates can be maintained at a low level as seen from the ratio of the Net Open Position (NOP) of 1.62 percent. According to the FSA, bank liquidity and capital are at an adequate level. The ratio of liquid assets / non-core deposits and liquid assets / deposits in April 2020 was observed at the level of 117.8 percent and 25.14 percent, far above the threshold of 50 percent and 10 percent, respectively. Capital of financial service institutions is maintained stable at an adequate level. BUK's Capital Adequacy Ratio stood at 22.13 percent and the Risk-Based Capital of the life insurance and general insurance industries respectively at 651 percent and 309 percent, far above the regulatory threshold of 120 percent. A big challenge for banking managers to provide and maintain customer satisfaction. (Cronin et al., 2000) and (Chen & Chang, 2003) stated that service quality influences customer satisfaction. Therefore, to be able to provide satisfaction to customers, banks must improve service quality. This was also supported by (Aisyah, 2018) which states that service companies must strive to maintain superior service quality over their competitors to obtain and maintain customer satisfaction. Having satisfied customers is not enough, customers must be very satisfied because customer satisfaction leads to loyalty.

Customer Perceived Value (CPV) May be a set of values or benefits that are anticipated to be gotten by clients as respondents in this consider from the items or administrations advertised by the Bank. Customer Perceived Value that must be gotten by clients is utilitarian esteem, Devotion emerges since of a sense of believe from clients after employing a item. Customer Satisfaction happens when client desires coordinate what is experienced and felt, indeed surpassing desires (Kandampully et al., 2015). When the company is incapable to fulfill these wants and desires, it is likely that shoppers will encounter disappointment so that they

will search for other alternatives (assortment looking for) on ensuing utilization that's felt to fulfill their wants and desires. Analysts are inquisitive about conducting this inquire about since in arrange to form client dependability a clear understanding of fulfillment and seen esteem is required in impacting the fulfillment relationship on dependability (Parkman et al., 2012) .

This study uses banking with consideration because currently more banking products are appearing on the market by offering a variety of advantages. In addition, consumers tend to do perceived value in buying it because consumer involvement in buying the product is low and the product is not too risk. Of the various things above and given the importance of perceived value and high satisfaction for the company in creating loyalty to achieve its objectives and to prove empirically testing the researchers formulated the problem in research specifically: (1) Does perceived value have an influence on customer loyalty, (2) Does satisfaction affect customer loyalty.

LITERATURE REVIEW

Customer Loyalty

Many companies can not achieve sales targets, due to the lack of companies providing services to customers, so loyalty is difficult to maintain customers. The company is required to always be responsive to what consumers want, efforts to retain customers must be given a greater priority than efforts to get new customers, the reason is generally easier to retain existing customers rather than attracting new customers. Losing customers can be a disaster for existing markets but experiencing little real growth. Customer loyalty based on pure and continuous satisfaction is one of the big assets that may be obtained by the company (Makanyeza, 2014). (Uncles et al., 2003) states, "customer loyalty can be grouped into two groups namely brand loyalty and store loyalty.

Brand loyalty is a liking towards a brand that is presented in a consistent purchase of the brand over time. There are two approaches that can be used, among others: - Instrumental conditioning approach. That a consistent purchase over time is to show brand loyalty. It is assumed to reflect strong reinforcement or stimulus. So the measurement that a customer is loyal or not seen from the frequency and consistent buying behavior of one brand, the way the measurement emphasizes past behavior. - Approaches based on cognitive theory Loyalty states a commitment to a brand that may not only be reflected by continuous buying behavior, customers may often buy a particular brand because the price is cheap and the third price rises the customer switches to another brand.

Loyalty is a manifestation of the fundamental human need to have, support, get a sense of security and build attachments and create emotional attachments (Odin et al., 2001). According to Sutisna, loyalty is a liking towards a brand that

is presented in a consistent purchase of that brand over time. While (Kozielski et al., 2017) states that customer loyalty as a customer commitment to a brand, store, and supplier is based on a very positive attitude and is reflected in consistent repurchases. Customer loyalty is a behavioral impulse to make repeated purchases and to build customer loyalty to a product / service produced by the business entity takes a long time through a process of repeated purchases (Zulganef, 2006). Customers are said to be loyal or loyal if the customer shows a regular buying behavior or there is a condition where it requires the customer to buy at least twice in a certain time interval. Efforts to provide satisfaction are made to influence customer attitudes, while the concept of customer loyalty is more related to behavior than the attitudes of customers (Abduh et al., 2018).

Customer Satisfaction

Customer Satisfication is the feeling of delight or disillusionment of somebody who emerges after comparing their discernments or impressions of execution that are underneath desires, clients are not fulfilled. In any case, on the off chance that execution surpasses desires, the client is exceptionally fulfilled and cheerful. In the event that the seen execution is underneath desires, the client will feel let down, in the event that the execution meets client desires, the client will feel fulfilled, though in the event that the execution surpasses desires, the client will feel exceptionally fulfilled. This satisfaction will certainly be felt after the client has exhausted the thing. Customers are subjects that purchase stock and organizations to fulfill their needs. The customer behavior deduces from the choice whether, what, when, where and how to purchase items and organizations. Consequently, advancing is in a general sense captivated by the behavior of the subject as a buyer. Commitment is closely related with client steadfastness, which is intentional to make a purchase and truly reiterate buys. Repeat-purchase behavior can be delineated in two conceivable results, commitment and inaction (Odin et al., 2001). Repeat-purchase behavior in a circumstance of solid brand affectability is categorized as dependability. Then again, repeat-purchase behavior in a circumstance of frail brand affectability is categorized as inactivity. Devotion is long-term and aggregate (nonstop) in nature; the longer the clients to be faithful, the more the benefit the bank can obtainfrom the customer's banking transaction.

Communicated that client dependability is highlight by the combination of states of mind (deliberate to purchase once more and/or purchase extra items or administrations from the same company, eagerness to prescribe the company to others, commitment to the company illustrated by a resistance to exchanging to a competitor) and behaviors (rehash acquiring, acquiring more and distinctive items or administrations from the same company, suggesting the company to others). The significance of client fulfillment for businesses is to preserve the long-term

practicality of the trade. Customer satisfaction is the company's benchmark for survival. If the client isn't fulfilled of course the client will not come back once more and might too be able to complain approximately his disappointment with other clients, of course this will be a risk to the business person (Garbarino & Johnson, 1999).

Customer Satisfaction is the feeling of joy or dissatisfaction of somebody who emerges after comparing the execution (result) of the item / benefit that'sthought to the anticipated execution (result). In case the execution is underneath expectations, the client isn't fulfilled. In case the execution meets desires, the client is fulfilled. On the off chance that execution surpasses desires, the client is very satisfied or cheerful. Fulfillment may be a energetic handle and must be checked routinely by the Bank institution. Measuring customer satisfaction eventually gets to be a need in a Bank institution because as previously expressed, the reason of setting up a Bank is to supply the most excellent for clients. So that the seen esteem has an impact on Customer Satisfaction of Islamic Banking in Indonesia.

Customer Perceived Value

Perceived Value is conceptualized as the customer's by and large appraisal of the devotion programs towards all the important benefits and rewards brought about by the program's individuals. Predominantly, seen esteem has been situated as the essential part inside the trade concept of promoting (Eggert & Ulaga, 2002). in characterized esteem as an "involvement of intelligently and relativistic inclination" approximately subject encounter in doing interaction with certain objects. Within the setting of client esteem, the subject is client whereas significant protest is items (products, benefit, individuals / private, put, thoughts, occasion / movement, and organization). In the mean time, agreeing to (David & Carolina, 2014) there are four fitting ways for companies to set costs for administrations or items based on the definition of esteem within the eyes of clients, specifically as takes after.

(Hennig-Thurau et al., 2002), and (Shoemaker & Lewis, 1999) portray faithful behavior as clients who feel so emphatically merely (the company) can best meet his or her important needs that your (the company's) competition is for all intents and purposes avoided from the thought set; these clients purchase nearly only from you (the company). Appropriately, the current ponder characterizes program card devotion as: a cardholder's drive to proceed and keep up a relationship with a retail loyalty program went with by the cardholder's eagerness to create extra endeavors. Whereas, store dependability is conceptualized as, a high commitment to rebuy or repatronize a inclination item or benefit reliably within the future, in spite of situational impacts and showcasing endeavors which have the potential to cause exchanging behavior.

Customer Perceived Value (CPV) Could be a set of values or benefits that are anticipated to be gotten by clients as respondents in this consider from the items or administrations advertised by the Bank. Perceived value that must be gotten by clients is useful esteem, passionate esteem, and social esteem. Total customer esteem (Add up to Client Esteem) is the overall esteem of all items, services, personnel, and image gotten by clients from the offer given by the Bank. The overall esteem for this client can be within the frame of benefit value, item value, representative value, and image value. Item value, for illustration, the benefits that are more than a item advertised by the bank. Benefit values, for illustration, worker invitingness in serving clients. Worker values, for illustration, tidiness in appearance and neighborly way of talking. Picture esteem is the same as company image so that client fulfillment has an impact on the devotion of Islamic Banking in Indonesia.

METHODOLOGY

This research involves structural equation modeling (SEM) approach, which is done through AMOS software. SEM analysis includes various statistical analyzes such as path analysis, confirmatory factors analysis (CFA), root mean square area (RMSEA), causal modeling with latent variables and multiple regression analysis variances (Hair et al., 2010). This research was conducted by utilizing community surveys with online questionnaire. The Sample of this research is 150 respondents, majority of respondents came from the provinces of Central Java and the Special Region of Yogyakarta
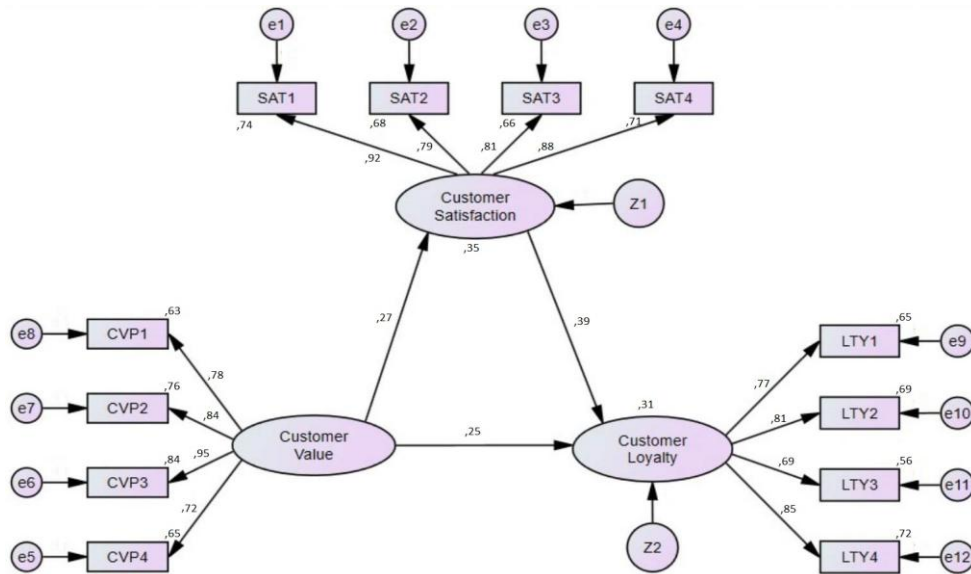
RESULT

The first test is a reliability and validity test; the analysis uses the Cronbach alpha test (> 0.6) and the corrected item-total correlation (> 0.4). Result output shows (see table 1) customer loyalty variable shows reliable and valid (cronbach alpha = 0.923 and corrected item total correlation = 0.928), customer satisfaction variable shows reliable and valid (cronbach alpha = 0.918 and corrected item total correlation = 0.945) and customer value variables show reliable and valid (cronbach alpha = 0.922 and corrected item total correlation = 0.939).

. Table 1
Reliability and Validity Test

No	Variable	Cronbach Alpha	Corrected Item Total Correlation	Conclusion
1	Customer Loyalty	0.923	0.928	Accepted
2	Customer Satisfaction	0.918	0.945	Accepted
3	Customer Value	0.922	0.939	Accepted

Source: Data processed, 2020

The subsequent is a full model SEM analysis; results of data processing at the full SEM model stage are carried out by conducting a suitability test and a statistical test. Analysis of the results of the confirmatory factor analysis showed CMIN / DF = 1.678, GFI = 0.956, AGFI = 0.975, CFI = 0.971, TLI = 0.99, RMSEA = 0.025, Chi-Square = 21.324, Probability = 0.315. The parameters produced in the analysis can be evaluated to be within the recommended limits (see table 3 and figure 4)

Source: Data processed, 2020

Figure 1
SEM Full Model Result

Table 2
Goodness of Fit Index

Goodness of Fit Indeks	Cut-off Value	Result	Conclusion
Probability	≥ 0.05	0.315	Good
RMSEA	≤ 0.08	0.025	Good
GFI	≥ 0.90	0.956	Good
AGFI	≥ 0.90	0.975	Good
CMIN/df	≤ 2,00	1.678	Good
TLI	≥ 0.95	0.99	Good
CFI	≥ 0.95	0.97	Good

Source: Data processed, 2020

After all assumptions fulfilled, the hypothesis testing is analyzed using the critical ratio (CR) and probability (P) values of a causality relationship through the operation of structure equation modeling, using CR value parameters >1.96 and P < 0.05 (Hair et al., 2010; Ferdinand, 2002 ; Anwar, Rehman and Shah, 2018). Based on the results of the analysis show (see table 4): customer value has a positive effect on customer satisfaction (CR = 2.492, P = 0.019, H1 supported), customer value has a positive effect on customer loyalty (CR = 2.53, P = 0.026, H2 supported), customer satisfaction has a positive effect on customer loyalty (CR = 3.521, P = ***, H3 supported).

Table 3
Regression Weight Structural Equational Model

Variable			Estimate	S.E.	C.R.	P
Customer Satisfaction	<---	Customer Value	0.209	0.172	2.492	0.019
Customer Loyalty	<---	Customer Value	0.263	0.212	2.532	0.026
Customer Loyalty	<---	Customer Satisfaction	0.322	0.076	3.521	***

Source: Data processed, 2020

Table 4
Hypothesis Result

	Relationship	C.R.	P	Result
H1	customer value has positive effect on customer satisfaction	2.49	0.01	Accepted
H2	customer value has positive effect on customer loyalty	2.53	0.02	Accepted
H3	customer satisfaction has positive effect on customer loyalty	3.52	***	Accepted

Source: Data processed, 2020

CONCLUSION

Based on the results of the research that has been done, it can be concluded that customer value has a positive effect on customer satisfaction in Islamic banking, while customer value has a positive effect on customer loyalty in Islamic banking. Furthermore, customer satisfaction has positive effect on customer loyalty in Islamic banking in Indonesia. Theoretically, this study supports previous research which considers that the higher the level of convenience received in terms of service to customers, the higher customer satisfaction will be in using Islamic banking products. Satisfaction are in a position to create a positive response to the creation of services for consumers, banking product service providers must pay attention to innovative indicators to create awareness

about participatory services in the business world, as well as the application of new services. In addition, perceived value plays an important role in representing various client needs and company satisfaction, in the right preferences.

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