

THE INFLUENCE OF E-SERVICE QUALITY AND PRODUCT FEATURES OF BSI MOBILE TOWARD LOYALTY: MEDIATION ON CUSTOMER SATISFACTION AT BANK SYARIAH INDONESIA CILEGON BRANCH

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Abstract: Bank Syariah Indonesia, a leading Indonesian bank, is leveraging digital banking methods like Internet Banking, Mobile Banking, and SMS Banking to improve customer experiences and loyalty. However, achieving consistent customer satisfaction remains a challenge. A study examining the impact of service quality and product features on loyalty, specifically within the BSI Cilegon branch, revealed that customer satisfaction is not significantly impacted by service quality. However, customer satisfaction positively impacts loyalty, service quality positively impacts loyalty through customer satisfaction, product features impacts loyalty through customer satisfaction. The study recommends BSI to improve service quality by providing accurate customer information and ensuring seamless maintenance to prevent disruptions during transactions.

Keywords: Mobile Banking; Service Quality; Product Features; Customer Satisfaction; Loyalty

Introduction

Bank Syariah Indonesia, a leading Islamic banking institution in Indonesia, is embracing digital transformation to stay competitive in the global market. The bank's services include Internet Banking, Mobile Banking, and SMS Banking, which are a result of the rapid development of technology. The banking sector has adapted to the rapid technological advancements, leading to the emergence of e-business and e-banking. This has simplified customer interactions and provided them with more information. Bank Syariah Indonesia (BSI) Mobile is a new product innovation that aims to simplify customer interactions and provide information. The bank is committed to providing high-quality products, including services, loans, treasury, savings products, investment, hajj, and umrah goods for corporate clients. BSI also offers card services and digital banking, ensuring that all clients can access and benefit from its sharia banking products and services, regardless of their gender, race, ethnicity, physical characteristics, or religious beliefs. The bank ensures that all clients have the same rights when using its products and services, adhering to relevant laws and regulations. Following picture shows the most used Mobile banking app in Indonesia (Populix, 2020).

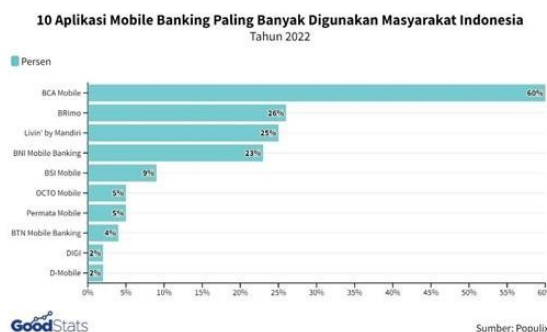


Figure 1. 10 Mobile application most used by Indonesian

Banking activity through mobile banking services has significantly increased during the pandemic emergency, with digital banking transactions reaching over IDR 27 trillion in 2020. With internet access, mobile phones enable easy access to banking-related activities, resulting in a 21.8 percent increase in this year. Despite BSI Mobile ranking 5th among Indonesian mobile banking users, BCA Mobile receives 60% of respondents, indicating a preference for BCA mobile over BSI Mobile.

According to Digital Daily Report BSI Cilegon Branch The rise in KCP Cilegon Ahmad Yani's active BSI Mobile users shows that the local community is increasingly utilizing digital banking services. This expansion is a result of the branch's successful promotion of BSI Mobile's effectiveness and simplicity, which enables users to handle their financial activities with ease from any location.

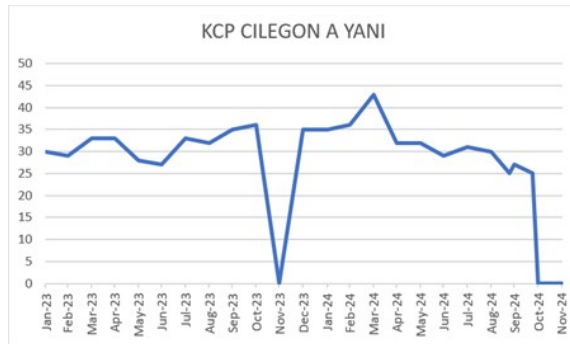


Figure 1. 2 Cilegon A.Yani Branch BSI mobile user active

KCP Ahmad Yani's banking services in Cilegon are thriving due to improved user experience, marketing campaigns, and public awareness of Sharia-compliant digital banking. Customer loyalty is crucial for the growth of active users and strengthening the branch's reputation within the community. Satisfied users recommend BSI Mobile, reinforcing trust and attracting new customers.

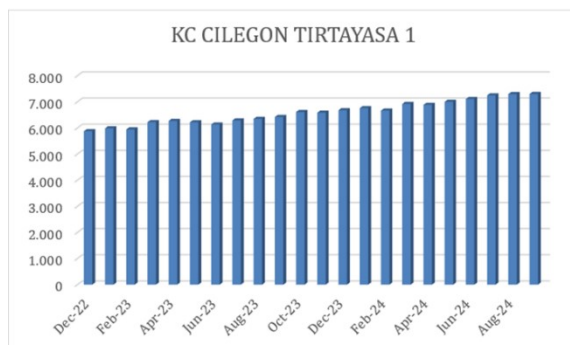


Figure 1. 3 Cilegon Tirtayasa Branch BSI mobile user active

The rise in active users at KCP Cilegon Ahmad Yani has not been as stable as it has been at other branch offices. This comparatively slow development can suggest that more focused approaches are required to improve service acceptance and user engagement. KCP Ahmad Yani's growth may be accelerated by addressing competition, demographic differences, and regional difficulties, while maintaining a stable user base, through improved marketing campaigns and community engagement.

Based on the explanation above, it can be concluded that there are eight problem formulations in this research:

- 1) Does BSI Mobile service quality have a significant effect on customers loyalty at Bank Syariah Indonesia Cilegon's Branch?
- 2) Do BSI Mobile product features have a significant effect on customers loyalty at Bank Syariah Indonesia Cilegon's Branch?
- 3) Does service quality and product features of BSI Mobile influence customer loyalty and does customer satisfaction act as a mediator in this relationship?
- 4) Does BSI Mobile service quality have a significant effect on customer satisfaction at Bank Syariah Indonesia Cilegon's Branch?

- 5) Does BSI Mobile Product Features have a significant effect on customer satisfaction at Bank Syariah Indonesia Cilegon's Branch
- 6) Does customer satisfaction have a significant effect on customer loyalty at Bank Syariah Indonesia Cilegon's Branch?
- 7) Does BSI Mobile service quality have a significant effect on customer loyalty through customer satisfaction at Bank Syariah Indonesia Cilegon's Branch?
- 8) Does BSI Mobile product features have a significant effect on customer loyalty through customer satisfaction at Bank Syariah Indonesia Cilegon's Branch?

Theoretical Framework

Consumer Behavior

According to Ajzen (1991), Consumer Behavior is It is the study of how people or groups choose, pay for, utilize, or discard goods, services, concepts, or experiences in order to fulfill needs and wants. Based on the three definitions of consumer behavior above, consumer behavior is defined as a decision-making process in assessing, buying, and using goods and services.

According to Solomon (2014), Consumer behavior is the study of how individuals select, purchase, use, and dispose of products and services to satisfy their needs and desires.

E-Service Quality (X1)

Parasuraman et al. (2005) described e-service quality as encompassing all stages of a customer's interaction with a website. Their perspective highlights critical factors such as reliability, efficiency, and security, which collectively contribute to the overall quality of the online experience.

Product Features (X2)

Tjiptono (1997) defined product attributes as the components of the product that consumers value highly and rely on when making decisions about whether to use or purchase the product

Customer Satisfaction (Z)

According to Kotler & Keller (2012), Satisfaction is any form of sarcastic commentary from customers regarding how well a particular product or service is performing.

Customer Loyalty (Y)

According to Kotler (2012), is the outcome of consistently meeting physical attribute-based satisfaction needs, having satisfying emotional experiences, and appreciating the perceived value of an experience, which includes the products or services.

Research Hypothesis

A hypothesis is a provisional conjecture that needs to be proven true. According to Sugiyono (2010), a hypothesis is a provisional answer to the formulation of a research problem.

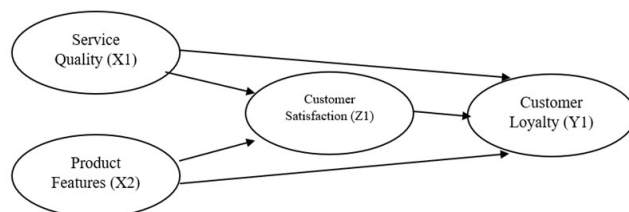


Figure 1.4 Research Hypothesis Model

Based on the background, problem formulation, and results of previous research, the researcher made a hypothesis in this study, which is as follows:

H1: There is Positive effect and significant influence of service quality on customers loyalty

H2: There is Positive effect and significant influence of product features on customers loyalty
 H3: There is Positive effect and significant influence of service quality and product features on customers loyalty

H4: There is Positive effect and significant influence of service quality on customer satisfaction

H5: There is Positive effect and significant influence of product features on customer satisfaction

H6: There is Positive effect and significant influence of customer satisfaction on customer loyalty

H7: There is Positive effect and significant influence of service quality on customer loyalty through customer satisfaction

H8: There is Positive effect and significant influence of product features on customer loyalty through customer satisfaction.

Research Method

This research takes a quantitative approach and uses an explanatory research design. Research aimed at elucidating the causes of a phenomenon or the correlations between variables is known as explanatory research. The explanatory design can be used to build, improve, or even question and disprove a theory in addition to elucidating the connections, distinctions, or impacts of variables with regard to the research hypothesis (Mulyadi, 2011). In this study, it will be explained about the influence between E-service quality, product features and customer satisfaction on customer loyalty. The sampling technique used is non-probability sampling using accidental sampling when the researcher selects a sample based on the ease of access to the research determined using the purposive sampling technique. Research data was obtained through an online questionnaire with a measurement scale using the Likert scale. The data analysis technique used in this study was processed using SmartPLS 3.0 for windows software.

Research Result

Based on the research data that has been obtained through the questionnaire, the following are the results of the examination and analysis of the research data. The first test carried out includes validity and reliability testing. The following is the data from the validity test results on the variables E-Service Quality (X1), Product Features (X2), and Customer Satisfaction (Z) on the Customer Loyalty (Y).

Table 1.1 Validity Test Result

	Average Variance Extracted (AVE)
Service Quality	0.663
Product Features	0.595
Customer Satisfaction	0.611
Customer Loyalty	0.626

Source: Processed primary data, 2024

In the table above, shows that the AVE value of the research variables including service quality, product features, customer satisfaction and customer loyalty have obtained an AVE value above

0.5. It can be concluded that all variables have met the AVE value requirements so that they can be said to be valid

Table 1.2 Reliability Test Result

	Cronbach's Alpha	Composite Reliability
Customer Loyalty	0.702	0.833
Customer Satisfaction	0.909	0.926
E-Service Quality	0.898	0.922
Product Features	0.774	0.855

Source: Processed primary data, 2024

Based on table above, shows that all variables have Cronbach's Alpha and Composite Reliability values of more than 0.7. This shows that all variables have met the reliability test requirements which can be concluded that all variables are reliable.

Table 1.3 R-Square Result

	R Square
Customer Loyalty	0.577
Customer Satisfaction	0.640

Source: Processed primary data, 2024

Based on table above, shows the R-Square results on the customer satisfaction variable with an R-Square value of 0.640, which means that the independent variables, namely service quality and product features, influence 0.640 or 64% of the customer satisfaction variable, while the remaining 36% are influenced by variables not examined in this study. This category of influence is included in the moderate influence. The customer loyalty variable has an R-Square value of 0.577, which means that service quality, product features, and customer satisfaction influence 0.577 or 57.7% of the customer loyalty variable. While 42.3% is explained by variables outside this study.

Table 1.4 Direct Effect Result

Variable	Originalsample (O)	T statistics (O/STDEV)	P values	Information
Service Quality > Customer Satisfaction	0.513	5.106	0.000	Accepted
Product Features -> Customer Satisfaction	0.340	3,732	0.000	Accepted
Service Quality > Customer Loyalty	0.099	1.192	0.120	Rejected
Product Features -> Customer Loyalty	0.108	1.224	0.112	Rejected

Customer Satisfaction -> Customer Loyalty	0.596	7,843	0.000	Accepted
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Source: Processed primary data, 2024

From the table above, the impact of two independent factors (service quality and product features) on two dependent variables (customer satisfaction and customer loyalty) is shown in the table as the outcome of a statistical study. 5% was the significance threshold utilized in the analysis. The findings indicate that customer satisfaction is significantly positively impacted by service quality (p-value = 0.000). Customer satisfaction is significantly positively impacted by product features as well (p-value = 0.000). Customer loyalty is not significantly impacted by either product features or service quality, though (p-values = 0.120 and 0.112, respectively). Lastly, there is a substantial positive correlation between customer satisfaction and customer loyalty (p-value = 0.000).

Table 1.5 Indirect Effect Result

Variable	Original sample (O)	T statistics (O/STDEV)	P values	Information	Mediation Type
Service Quality -> Customer Satisfaction -> Customer Loyalty	0.306	4.116	0.000	Accepted	Full Mediation
Product Features -> Customer Satisfaction -> Customer Loyalty	0.203	3.663	0.000	Accepted	Full Mediation

Source : Processed primary data, 2024

The table displays the findings of a statistical research that looked at how customer satisfaction acted as a mediating factor between the indirect impacts of service quality and product features on customer loyalty. According to the data, customer loyalty is significantly positively impacted indirectly by both service quality and product features. This implies that enhancements to product features and service quality can raise customer satisfaction, which in turn boosts customer loyalty.

Discussion

The first finding is that Service quality significantly impacts customer satisfaction, which is crucial for business success. In the banking industry, providing high-quality services increases customer satisfaction and loyalty. Customer satisfaction is a key determinant of a company's profit and growth. Research by Belas and Gabcova (2014) and Rahmani-Nejad et al (2014) found that service quality significantly impacts customer happiness and trust. Agyapong (2011) found a correlation between customer satisfaction and service quality, indicating that meeting consumer needs can enhance network services and differentiate a company from competitors. Therefore, the H1 "service quality has a positive effect on customer satisfaction" is **accepted**.

The second finding is that product features significantly impact customer loyalty. These features enhance a product's core capabilities, influencing consumer choice and differentiation. In the era of globalization and e-banking, banks must achieve customer loyalty and satisfaction through innovation in product features. Bank Syariah Indonesia, for example, offers various mobile

banking features like Top Up e-wallet and services like power, tuition, telephone, water bills, and Hajj and Umrah. To enhance customer satisfaction, additional features can be added to the application. Many of the existing features can also be increased for the better customer experience. So it can be concluded that H2 “product features has a positive effect on customers satisfaction” is **accepted**.

The third finding is that Service quality significantly impacts customer satisfaction and loyalty, as demonstrated by Hassan et al. (2013) and Sharma (2012). Improved service quality not only enhances satisfaction but also fosters stronger loyalty among consumers. Sofyan et al. (2013) also emphasize the importance of service quality in cultivating long-term relationships with customers. Therefore, the H3 "service quality positively affects customer loyalty" is **rejected**.

The fourth finding is that product features do not significantly impact customer loyalty. Features serve as tools for competition, setting a product apart from competitors. Comprehensive features can increase customer loyalty by satisfying their needs. Brands can build customer loyalty by offering unique features that enhance their experience and address their unique needs. Continuous improvements and responsiveness to customer input further increase loyalty. Therefore, the H4 "Product Features has a positive effect on customer loyalty" is **rejected**.

The fifth finding is that Customer satisfaction significantly impacts customer loyalty, which is often a result of satisfaction. Acquiring a new customer is often more expensive than keeping an existing one, and profitability is closely linked to customer loyalty and retention. Banks must cultivate profitable long-term relationships with customers to survive in a competitive retail banking environment. Service loyalty in the service industry refers to a customer's willingness to make repeat purchases and have a favorable opinion towards a service provider. In the banking industry, loyalty is defined as continued business dealings and word-of-mouth referrals. Loyalty is considered the most crucial idea in marketing materials. This research aims to identify customer value factors to increase customer loyalty and satisfaction in using BSI products and the BSI mobile app. So it can be concluded that H5 “Customer Satisfaction has a positive effect on customers loyalty” is **accepted**.

The sixth finding is that service quality significantly impacts customer satisfaction. Meeting customer expectations through high-quality services, including physical premises and comprehensive support facilities, leads to client pleasure. Contented customers are more likely to return and use the business's products, resulting in long-term loyalty. Therefore, the H6 "Service Quality has a positive effect on Customer Loyalty through Customer Satisfaction" is **accepted**.

The seventh finding is that product features significantly impact customer satisfaction, leading to increased loyalty. High-quality products and services, with features like functionality, design, and dependability, encourage customer loyalty. Extensive features and continuous enhancements in response to customer feedback strengthen loyalty. Banks must acquire customer loyalty and satisfaction through superior product features and customer service to survive in the age of globalization and online banking. Innovative elements in products increase customer happiness. So it can be concluded that H7 “*Product Features* has positive effect on *Customer Loyalty* through *Customer Satisfaction*” is **accepted**.

Summary

1. Service quality has insignificant effect on customer loyalty. This result indicates that good service quality couldn't increase customer loyalty on a product/service.
2. Product Features has insignificant effect on customer loyalty. This result indicates that many services in one application couldn't make customers satisfy.
3. Service Quality has a positive effect on Customer Satisfaction. This result indicates that good service quality could increase customer satisfaction.

4. Product Features have a positive effect on Customer Satisfaction. This result indicates that many product features could the customer meet their needs so the customer satisfy that one application with many features/services.
5. Customer Satisfaction has a positive and significant effect on Customer Loyalty. This result indicates when customer satisfy with a product could lead them to repeat purchase and will make them loyal to a product.
6. Service Quality has positive and significant effect on Customer Loyalty through Customer Satisfaction. This result indicates that service quality could satisfy customer and lead them being loyal to a service.
7. Product Features have positive and significant effect on Customer Loyalty through Customer Satisfaction. This result indicates that many product features could meet customer need and satisfy them with gives many features without changing to other product, so customer could be loyal to a service that gives them many services without changing to other service.

Suggestion

To enhance service quality, it is recommended to obtain accurate customer information and improve maintenance to prevent disruptions during transactions, ensuring a seamless experience for consumers seeking quick service. Regarding product features, adding an e-statement feature would be beneficial, allowing consumers to save information by taking screenshots on their devices. For customer satisfaction, conducting in-depth research on consumer expectations of BSI Mobile can help improve both satisfaction and service quality. Additionally, future research could incorporate new variables such as e-trust, which may contribute to fostering customer loyalty.

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