

CHAPTER 1

INTRODUCTION

A. Background of the study

Customer satisfaction can be defined as one of the most crucial factors in business. When it comes to commercial banks, customer satisfaction level differs from one bank to another, thus measuring customer satisfaction is very crucial. (Zopounidis, 2012) states that this is the reason why banks take time to listen to customer requirements and complains. Profitable businesses usually cannot operate without satisfied customers, especially in service oriented industries.

Customer satisfaction is usually at the core of human experience, reflecting our liking of a company's business activities. Americans usually mention a positive encounter to an average of 9 people and a negative encounter to an average of sixteen. High levels of customer satisfaction 'with pleasurable experiences' they are strong predictors of client and customer retention, product and loyalty repurchase. The Data that usually answers why a client/ customer enjoyed their experience helps the company recreate these encounters in the near future. Effective businesses usually focus on reinforcing and creating pleasurable experiences so that they might retain current customers and add new customers. According to Cronin and Taylor (1992) satisfaction super ordinate to quality- that quality is one of the service dimensions factored in to customer satisfaction judgment.

The success of the banking industry to maintain customer satisfaction is influenced by many factors including: the experience, customer trust and commitment. Theoretically Kotler and Keller (2006) stated that the impact on experience, customer trust and commitment with the latest on customer satisfaction. High experience, customer trust and commitment can generate customer satisfaction.

In a service firm like bank, experience, trust, and commitment become the crucial factors to build and retain customer satisfaction.

In today's world there is a lot of competition among companies and it is very severe, but most of the companies present nearly the same services/ products with their competitors. In order to differ from all competitors a firm must offer superior services. It has discovered that higher service quality often leads to more satisfied customers and also higher customer satisfaction often leads to customer loyalty. Service quality takes the stage and offers more satisfied and loyal customers and in return more profit is gained than of the competitors. The quality of service is one of the major determinants of the customer satisfaction. Many researchers and experts mentioned that, service quality can be enhanced by using advanced information and communication technology (ICT). Today, almost all banks in are adopted ICT as a mean of enhance service quality of banking services. They are providing ICT based e-services to their customers which is called e- banking, internet banking or online banking etc. It brings connivance, customer centricity, enhance service quality and cost effectiveness in the banking services and increasing customers' satisfaction in banking services. They found that, there is a very strong relationship between quality of service and customer satisfaction (Parasuraman et al, 1985; 1988;).

Customers in different countries highlight a significant level of dissatisfaction and on the other hand many banks agree that there is a need to increase the level of customer care as before. Krawcheck (2012) states that the present incompatibility among relatively high customer dissatisfaction and customers' willingness to purchase relatively low products is unsustainable. Bank management is often rewarded on the basis of bank income. On the other hand, the financial crisis demonstrated the fact that not all profits are made in the same way. Usually profits resulting from the additional purchases of satisfied customers are in the medium and

long term more valuable than the profits resulting from cutting costs/ increasing net interest income. Moreover, management of banks must pay attention to other factors than profit only: above all, to customer satisfaction. It is usually presumed that a customer who is satisfied is usually a loyal customer and that customer who is loyalty is proved by a higher level of additional purchases as compared to dissatisfied customers. Many customers who are satisfied usually tend to be more loyal and to recommend the bank to other consumers as compared to dissatisfied ones.

- In Indonesia there are 120 commercial banks namely four state owned banks and 117 private banks. 2 of the banks owned by the state have usually Islamic banking units. Of the twenty-six government regional banks, while fifteen have Islamic banking units, while of eighty-six private national banks, seven have Islamic banking unit, and there finally are five Islamic commercial banks.

□ In this research the researcher gathered information from BNI, BRI, BTN and Mandiri public banks in Indonesia.

B. Problem Statement

1. Does customer trust have an effect on customer loyalty and customer Satisfaction of e-banking users in Indonesia?
2. Does service quality have an effect on customer loyalty and customer Satisfaction of e-banking users in Indonesia?
3. Does customer satisfaction have an effect on customer loyalty of e-banking users in Indonesia?

C. Research Objective

This Causal comparative study is sought to:

1. analyze the influence of the customer trust on customer satisfaction and customer loyalty of bank users in Indonesia.

2. analyze the influence of the service quality on customer satisfaction and customer loyalty of bank users in Indonesia.

3. analyze the influence of the customer satisfaction on customer loyalty of bank users in Indonesia.

D. Research Benefits

1. The expected practical benefits of this research are as follows:

- i. There will be improved customer Loyalty – usually satisfied customers are more likely to stay with the bank for a longer period, which can significantly improve sales revenue and profitability over time.
- ii. Increased amount of average purchases - Firms will usually gain greater share of customers' purchases in that product category. Typically satisfied customers will increase their purchase quantity over time.
- iii. There will be increased word-of-mouth (WOM) – many satisfied customers are more likely to recommend the product/ firm and brand to their friends, family and social media connections.
- iv. There will be lower promotional expenditure than required - A steady flow of new customers must be generated from word of mouth referrals, reducing the need to generate new customers from various promotional activities.

2. The theoretical benefit of this research is that it will increase knowledge on the factors affecting customer satisfaction and customer loyalty of e-banking users and banking sector.