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Banking Strategy in Maintaining Debtor Loyalty: The Mediation Role of Debtor Satisfaction

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ABSTRACT

The competition in the banking industry is getting tighter nowadays; banks should develop strategies which meet the needs of current debtors not only to achieve debtor satisfaction but also to maintain debtor loyalty. This study aims to identify the factors that influence debtor satisfaction and loyalty in the banking industry. Data were collected using the online questionnaire of 131 samples; the respondent should have a debtor status period of at least 2 years at the bank. This study uses multivariate employed PLS-SEM as an analytical tool. The result found a significant effect between debtor satisfaction and debtor loyalty. The direct relationship analysis result shows that price and service quality of marketing staff have a significant influence on debtor satisfaction, and the indirect relationship shows that the relationship between price and service quality of marketing staff on debtor loyalty is mediated by debtor satisfaction. This study has implications for the banking sector, marketing, and researchers to be able to add insight into the important variables which are factors in increasing debtor loyalty. For further research, it is expected that there will be development of other important variables.

Keywords: Debtor Loyalty, Debtor Satisfaction, Pricing, Service Quality, Marketing Staff Service Quality.

INTRODUCTION

Over the past two decades, service-oriented industries have had growth potential (Hoffman & Bateson, 2016). Service has become an integral part of modern business. Nowadays, even manufacturers are paying greater attention to adding service features to their products. This is due to the demands for competitive prices caused by intense competition. One of the few things that companies have in common is to differentiate themselves in terms of the quality of the services they offer, which has a direct impact on profitability. Thus, service quality is closely related to company performance, customer satisfaction, and company profits.

As in many other industries, the quality of the services provided is very important in the banking sector because there is bargaining power for debtors to easily switch to competitors. Furthermore, many researchers have conducted studies to measure and evaluate the quality of bank services. The issue of service quality is equally important for both private and state-owned banks (Kangis & Voukelatos, 1997). Therefore, banks must develop strategies that suit the current needs of debtors. Meanwhile, bank marketing personnel must be empowered to make decisions that are fast, precise, and satisfying for their debtors. Banks must have management that carefully employs the right people and marketing staff who are sufficiently trained to anticipate the challenges that may arise on a daily basis. Competition affects the direction of the bank and will force the bank to choose certain services at better prices to maintain a competitive advantage for its debtors.

The characteristics of debtors are currently unpredictable and highly variable, so banks need to prioritize the quality of service for their marketing personnel; if this is ignored, banks must be prepared to accept the worst that may happen, as neglected by the debtor. Furthermore, dissatisfaction arises when the service quality of the marketing staff and prices do not match the expectations of the debtor. Meanwhile, satisfaction arises when the service quality of the marketing staff and prices produce something that is in line with the expectations of the debtor. Therefore, there is a strong relationship between the bank and the debtor which ultimately influences the debtor to be loyal to the service quality of marketing staff or prices. It is important for banks to build good relationships to maintain loyalty; especially, long-term relationships.

Debtor satisfaction and debtor loyalty are not the same thing, although there is a direct correlation between the two. Debtor satisfaction plays a role when the debtor uses the product/service from the bank and has a positive experience. In addition, debtor loyalty is a factor when the debtor returns to a particular bank because the debtor chooses to develop a relationship with that bank. Debtors become loyal because they feel they will get a good product and be treated with a certain respect. Debtor satisfaction and debtor loyalty are interrelated because to become a loyal debtor, usually, he must be a satisfied debtor first.

Meanwhile, Krismanto (2009) conducted research on customer loyalty that there are factors that can affect loyalty, namely service quality. price considerations can be a factor that can affect customer loyalty, customers will likely quality products at competitive prices. However, Schoenbachler et al. (2004) stated that the price factor is not sensitive for loyal customers, they are willing to spend more money to get the product/service they want. Allred and Addams (1999) analyzed bank service quality in various dimensions from a customer perspective. In addition, Jham and Khan (2008) measured the relationship between bank performance and customer satisfaction with a focus on service quality. However, few studies have been conducted to relate the service quality dimensions of marketing staff and price to satisfaction and loyalty. Satisfaction always leads to loyalty. Customer loyalty is considered a strong determinant for marketing services and is critical to business success in today's competitive marketplace. In fact, banks are no exception (Ehigie, 2006). This study aims to identify the factors that influence debtor satisfaction and loyalty in the banking industry.

LITERATURE REVIEW

Loyalty

Customer loyalty refers to customers' preferences for the organizational value provided over competing other alternative offerings (Arif & Syahputri, 2021). Customer loyalty has received significant marketing attention (Wu & Ai, 2016) because the implications for modern businesses cannot be overstated. In fact, customer loyalty is regarded as a long-term asset and a key business outcome (Kandampully et al., 2015; Kim et al., 2016). Having loyal customers is a mandatory choice for various companies based on its important role in creating a sustainable competitive advantage (Wu & Ai, 2016). Marketers' practitioners are also motivated to develop loyal customers for their businesses as a necessary condition for market success (Kandampully et al., 2015).

According to Sutisna (2003) and Tjiptono (2001), customer loyalty is a customer's commitment to a brand, company, and supplier based on a very positive attitude, and it is reflected in consistent repeat purchases. Furthermore, customer loyalty is often associated as a guarantee of profits for various industrial sectors, including the banking sector for the short and long term. Loyalty becomes the key factor for a company's long term-survival (Daulay, 2021). In the banking sector, debtor loyalty can be influenced by various factors, including product/service quality and debtor satisfaction (Simatupang, 2015). In addition, there are factors other than product quality, such as competitive prices which are also offered by banks to maintain debtor loyalty (Tjiptono, 2004). Banking institutions must pay attention to debtor loyalty factors as part of business and marketing strategies to face competition.

Pricing

Pricing is the price given to debtors to be able to obtain loan funds from banks, where pricing for a given credit will eventually result in the calculation of the bank's income (contribution margin). Furthermore, the Indonesian Bankers Association (2018) added that the determination of the type of interest rate and calculation method imposed on a credit depends on the type of credit, credit segment, level of risk, term, collateral value, and others by taking into account things; such as, the level of risk of each debtor, base rate, the return which will be received by the bank, collateral value (collateral) for each type of credit, or level of competition. A cheap pricing rate can be a stimulus to attract debtors from other banks to transfer their loans to certain banks.

Debtors who have productive credit facilities generally tend to consider the cost-benefit factor in their rational decisions by considering information between banks with strong bargaining power so that there is potential for no dependence on certain banks. In fact, it can be found that there are groups of debtors who are loyal to certain banks. However, not a few can be found groups of debtors who move to other banks. In addition, determination of pricing can affect the experience of debtors on certain banks, either positive experience which leads to satisfaction, or vice versa. This study will measure whether there is an effect of certain bank pricing on debtor loyalty and the influence of certain bank pricing on debtor satisfaction.

H1: Pricing of a certain bank affects debtor loyalty
H2: Pricing of a certain bank affects debtor satisfaction

Marketing Staff Service Quality

In today's banking world, the service of a marketer is very important in obtaining Customer Engagement (Morgan & Hunt, 1994). The quality of service is closely related to how customers perceive the service provided, where it influences customer satisfaction (Sumarlinah et al., 2022). It can be obtained if a marketer is able to understand that debtors are the most important part in the banking business so that marketer must provide the best service. Debtors will feel important if a marketer is able to let them know that their business is valued, creates warmth and understanding, demonstrates professional courtesy, and shows genuine concern. Moreover, a marketer should be able to make services that are uncomplicated, fast, and precise; besides, he is of course not arbitrary so that customers feel the burden is lightened.

Along with banking services which continue to develop and grow every year, follow the level of debtor expectations which are increasing and complex so that demanding that all human resources in this industry can improve their performance including a marketer which is expected through the application of services from marketing that can meet debtor expectations and can increase debtor satisfaction, Hennig-Thurau et al. (2002). The service quality of marketing staff can also lead to debtor attachment to certain banks or in other words they will not move to other banks since they feel that their expectations can be met by that bank (Tjiptono, 2001).

In this study, it will measure whether there is an effect of the service quality of marketing staff by certain banks on debtor loyalty and measure whether there is an influence on the quality of marketing staff services by certain banks on debtor satisfaction.

H3: Service quality of marketing staff affects debtor loyalty
H4: Service quality of marketing staff affects debtor satisfaction

Debtor Satisfaction

According to Tjiptono (2000), basically every organization aims to create customer satisfaction by meeting their expectations through the products and services which are produced. I n the banking industry, maintaining debtors to continue to feel satisfied is a challenge since it involves many factors both in terms of the benefits of banking products and the level of service from the human resources in it. Furthermore, customer focus is needed so that the bank can identify each debtor's needs and determine the best solutions to meet these needs, both in the form of competitive pricing and the quality of services of reliable marketing staff in order to create satisfaction, Kotler and Armstrong (2001).

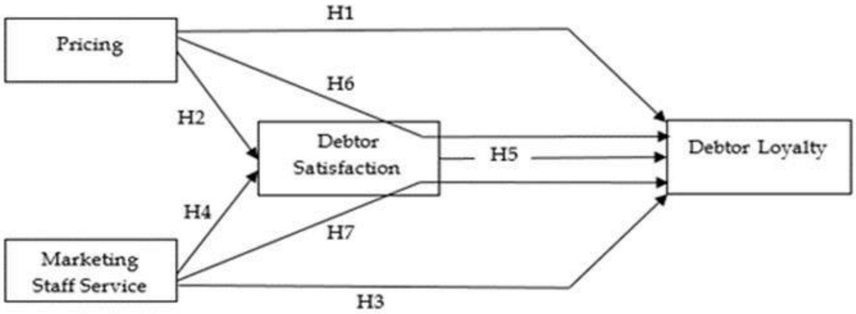
With competitive pricing and reliable marketing staff, who can meet the needs and expectations of debtors properly, banks can obtain long-term benefits where debtor satisfaction can create harmony between the two parties; besides, it has an impact on the debtor's dependence on a certain bank that is deemed unable or more difficult to be met by other banks, in this case, it creates debtor loyalty (Lovelock & Wright, 2005).

Debtor satisfaction resulting from the good quality of marketing staff services from certain banks makes debtors tend to be reluctant to move to other banks, or in other words, creates debtor loyalty at the bank. For this reason, this study will measure how the direct effect of debtor satisfaction affects the debtor loyalty, also their mediating effect at a particular bank affects the relationship between pricing and debtor loyalty; besides, measures how the mediating effect of debtor satisfaction at a particular bank affects the relationship between service quality of marketing staff and debtor loyalty.

H5: Debtor satisfaction affects debtor loyalty

H6: The mediating effect of debtor satisfaction affects the relationship between pricing and debtor loyalty
H7: The mediating effect of debtor satisfaction affects the relationship between service quality of marketing staff and debtor loyalty.

Figure 1. Research Framework



RESEARCH METHOD

Collecting data through the distribution of questionnaires which contain questions related to statements on the variables being studied and the characteristics of respondents. Those statements relate to the debtor's assessment of pricing, service quality of marketing staff, debtor satisfaction, and debtor loyalty. In addition, we collected information by using a scaled survey. The scales of this investigation are all Likert scales as follows: 5 points (strongly agree), 4 points (agree), 3 points (undecided), 2 points (disagree), and 1 point (strongly disagree). This study used the Indonesian banking industry sector as the population. In addition, the methodology of this study was multivariate, and employed PLS-SEM as an analytical tool.

RESULTS

The total research sample was 131 responses. It shows that there are 66% men, and it is dominated by the age of 36-55 years, which is 70%. The respondents in the study are professionals with more than 10 years of length of service (59%) with most of them being entrepreneurs (63%) compared to civil servants (2%) and private employees (24%).

Hypothesis Testing

The table below illustrates the hypothesis testing results in this research. The significance of the price path coefficient on debtor loyalty ($\beta = 0.064$, $t = 0.925$, $p < 0.05$). Thus, it can be concluded that hypothesis 1 is rejected with no effect of price on debtor loyalty.

Furthermore, the significance of the price path coefficient on debtor satisfaction ($\beta = 0.167$, $t = 2.314$, $p < 0.05$). Therefore, it can be concluded that hypothesis 2 is accepted with a direct effect of price on debtor satisfaction. The significance of the path coefficient between the service quality of marketing staff on debtor loyalty ($\beta = 0.101$, $t = 0.81$, $p < 0.05$). Therefore, it can be concluded that hypothesis 3 cannot be accepted with no direct influence between the service quality of marketing staff and debtor loyalty.

The significance of the path coefficient between the service quality of marketing staff on debtor satisfaction ($\beta = 0.7$, $t = 10.817$, $p < 0.05$). Hence, it can be concluded that hypothesis 4 can be accepted with a direct influence between the service quality of marketing staff and debtor satisfaction. Meanwhile, the significance of the path coefficient between debtor satisfaction and debtor loyalty ($\beta = 0.699$, $t = 6.104$, $p < 0.05$). Thus, it can be concluded that hypothesis 5 can be accepted with a direct influence between debtor satisfaction and debtor loyalty.

Table 1. Summary Results of Hypotheses Testing

H	**Relationship**	**Path Coefficient**	**St-Dev**	**T count**	**P-value**	***Result***
H1	Pricing -> Debtor Loyality	0.064	0.069	0.925	0.355	Rejected
H2	Pricing -> Debtor Satisfaction	0.167	0.072	2.314	0.021	Accepted
H3	Marketing Staff Service Quality -> Debtor Loyality	0.101	0.124	0.81	0.418	Rejected
H4	Marketing Staff Service Quality -> Debtor Satisfaction	0.7	0.065	10.817	0.000	Accepted
H5	Debtor Satisfaction -> Debtor Loyality	0.699	0.115	6.104	0.000	Accepted

Table 2 shows the indirect path coefficients or mediating effects of the latent variables in the model. In this model, the mediating variable is only debtor satisfaction, so there are 2 hypotheses that need to be tested, which are the mediation of price with debtor satisfaction and service quality of marketing staff with debtor loyalty. Furthermore, the significance of the mediating effect of debtor satisfaction can be accepted both from the price and from the service quality of the marketing staff with p-values of 0.000 and 0.030, respectively. It shows that debtor loyalty is influenced by debtor satisfaction built on the price and service quality of marketing staff; besides, it is influenced by price and service quality of marketing staff which is mediated by debtor satisfaction.

Table 2. Indirect Effect

H	**Relationship**	**Path Coefficient**	**St-Dev**	**T Count**	**P-value**	**Result**
H6	*Pricing -> Debtor Satisfaction ->Debtor Loyalty*	0.490	0.089	5.501	0.000	Accepted
H7	*Marketing Staff Service Quality -> Debtor Satisfaction ->Debtor Loyality*	0.117	0.054	2.167	0.030	Accepted

DISCUSSION

This study significantly advances our understanding of the intricate dynamics shaping debtor loyalty by delving into the impact of price and service quality of marketing staff, with customer satisfaction serving as a crucial mediator. The robust analysis of direct relationships reveals a noteworthy influence of marketing staff's price and service quality on enhancing debtor satisfaction.

The implications of this research extend far beyond the confines of academia, resonating deeply within the banking sector and the realm of marketing. By pinpointing variables that play pivotal roles in bolstering debtor loyalty, this study arms practitioners and researchers alike with insights crucial for strategic decision-making. However, this should not be the culmination of our exploration; rather, it should be a catalyst for further investigation. The call for subsequent research is a call for the identification and examination of additional influential variables that may augment or even challenge the established findings.

Looking ahead, the plea is for a more expansive and comprehensive approach in future

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studies. The aspiration is for research endeavors to transcend national boundaries, encompassing diverse industries and countries, to unravel the intricacies of debtor loyalty in a more nuanced manner. By broadening the scope, we can untangle the complexities that might differ across regions and industries, providing answers that are not only more representative but also more universally applicable.

Yet, in acknowledging the strides made, it is imperative to confront the limitations head-on. The cross-sectional nature of this empirical study, while informative, leaves room for a more profound exploration through longitudinal research, offering a richer understanding of causation and relationships over time. Additionally, the reliance on debtor responses, though a practical approach, introduces an inherent subjectivity that warrants consideration in future research methodologies. Furthermore, the exclusive focus on Indonesian banking, while insightful for the local context, beckons for broader comparative studies across industries and geographical regions. The unavoidable constraints imposed by the Covid-19 pandemic on data collection methods necessitate innovative solutions for face-to-face interactions with respondents and underline the importance of addressing potential biases introduced through online questionnaire responses.

In essence, while this study makes valuable strides, it lays the groundwork for a more ardent pursuit of knowledge, urging researchers to delve deeper, broaden their horizons, and address methodological limitations for a more comprehensive understanding of the intricacies governing debtor loyalty.

CONCLUSION

In conclusion, this study sheds light on the impact of price and service quality of marketing staff on debtor loyalty, with customer satisfaction acting as a mediator. The findings indicate a significant direct influence of price and service quality on debtor satisfaction. The implications of this research extend to the banking sector, marketing, and academia, providing valuable insights into crucial variables for enhancing debtor loyalty. However, the study acknowledges certain limitations, such as its cross-sectional nature, reliance on debtor responses, and a focus solely on Indonesian banking. The call for future research includes a recommendation for longitudinal studies, exploration of additional variables, and broader industry and international comparisons. Additionally, the study recognizes the challenges posed by the Covid-19 pandemic, emphasizing the need for innovative approaches in data collection. Despite these limitations, this research contributes to a foundational understanding of the dynamics influencing debtor loyalty in the context of the banking industry.

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DECLARATION OF CONFLICTING INTERESTS
This statement is to certify that all authors have seen and approved the manuscript being submitted. We warrant that the article is the authors' original work. We warrant that the article has not received prior publication and is not under consideration for

publication elsewhere. On behalf of all co-authors, the corresponding author shall bear full responsibility for the submission. This research has not been submitted for publication nor has it been published in whole or in part elsewhere. We attest to the fact that all authors listed on the title page have contributed significantly to the work, have read the manuscript, attest to the validity and legitimacy of the data and its interpretation, and agree to its submission to the Journal of International Conference Proceedings.

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